



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

OFFICE OF THE SUPERINTENDENT

May 3, 2018

TO: The Honorable Nolan Kawano  
Chairperson, Audit Committee

FROM: Dr. Christina M. Kishimoto  
Superintendent

A handwritten signature in blue ink, appearing to read "CK", positioned to the right of the "FROM:" line.

SUBJECT: **Presentation of the Department of Education's Internal Audit Plan -  
Quarterly Update through March 31, 2018**

1. DESCRIPTION

Presentation of the Department of Education's Internal Audit Plan - Quarterly Update through March 31, 2018.

2. PRESENTATION

Presentation of the Department of Education's Internal Audit Plan - Quarterly Update through March 31, 2018.

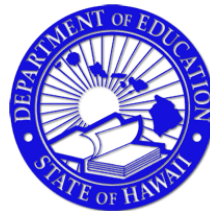
CMK:dy  
Attachment

c: Internal Audit Office

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State of Hawaii  
**Department of Education**

INTERNAL AUDIT PLAN  
QUARTERLY UPDATE THROUGH MARCH 31, 2018



FOR AUDIT COMMITTEE MEETING  
May 3, 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:

#### Investigation Process Review

- Project's planning stage began in March 2017. However, due to unanticipated fiscal review requests, cross training, increased fraud & ethics hotline intakes, and participation in two unexpected arbitrations, this review was delayed. The review is currently in the fieldwork stage and is targeted for issuance in June 2018.

#### Equipment and Fleet Maintenance Follow-Up Review

- Project began in August 2017 and was completed and issued in January 2018.

#### Ethics Review

- Project began in September 2017 and was completed and issued in February 2018.

#### Capital Construction Oversight and Management Implementation Follow-Up Review

- Project began in January 2018. The review is currently in the fieldwork stage and is targeted for issuance in May 2018.

#### Student Information System Post-Implementation Review/Data Integrity Follow-Up Review – Student Enrollment

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

#### School Based Reviews

- Internal Audit (IA) performed two (2) Student Activity Fund Reviews and three (3) 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.)



## Executive Summary (continued)

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

#### **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.

#### **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 revising and updating their SPs; however, OHR will resume SP discussions following the conclusion of the legislative session. Currently, an internal worksite has been established on the intranet to automate the process as well as providing standardized templates. Approximately 155 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 March 2018, they have published 22 OFS SPs to the public site. Older procedures have been posted but a disclaimer has been added to indicate that items are subject to change.

#### **Fiscal Reviews**

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

#### **Baseline Monitoring Projects**

- IA performed continuous monitoring projects to identify internal control weaknesses in business function areas. This included the compilation of Annual Checklist Monitoring Results that was issued in January 2018 and the Continuous Auditing Reviews for Casual Employment, Overtime Expenditures, and Inventory that were issued to fifteen (15) Complex Area Superintendents, six (6) to the Superintendent and Assistant Superintendents, two (2) to the Main Center Community School For Adults (McKinley and Waipahu) and one (1) to the State Public Charter School Commission in March 2018.

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

- IA continued to coordinate and assist N&K CPAs with the “Annual Financial & Single Audit FYE 6/30/17.” The audit was completed and issued in March 2018.



# 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>Ethics Review</b> (Issued February 2018) <i>(Refer to Appendix A1)</i>	Marginal	2	0	0	2	0	0	2	0	OHR Assistant Superintendent	
<b>Equipment and Fleet Maintenance Follow-Up Review</b> (Issued January 2018) <i>(Refer to Appendix A2)</i>	Marginal	1	0	2	3	0	1	2	0	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	5	15	2	0	13	1		

\* See page 3 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, 2015 through March 31, 2018)

Number of Cases Handled by Area or Office				
DOE Complex Areas	FY 2016	FY 2017	FY 2018 (Q3)	Total # of Cases
Honolulu: Kaimuki McKinley Roosevelt	8	7	9	24
Central: Aiea Moanalua Radford	6	8	5	19
Honolulu: Farrington Kaiser Kalani	4	8	6	18
Hawaii: Honokaa Kealakehe Kohala Konawaena	6	8	1	15
Maui: Baldwin Kekaulike Maui	2	11	1	14
Windward: Castle Kahuku	6	3	2	11
Maui: Hana Lahainaluna Lanai Molokai	6	3	2	11
Windward: Kailua Kalaheo	3	3	4	10
Hawaii: Hilo Waiakea	4	2	2	8
Kauai: Kapaa Kauai Waimea	3	4	1	8
Central: Leilehua Mililani Waialua	3	0	4	7
Hawaii: Kau Keaaau Pahoa	3	2	1	6
Leeward: Nanakuli Waianae	3	2	0	5
Leeward: Pearl City Waipahu	3	2	0	5
Leeward: Campbell Kapolei	2	1	0	3
DOE Offices	FY 2016	FY 2017	FY 2018 (Q3)	Total # of Cases
Office of the Superintendent <sup>1</sup>	2	7	5	14
Internal Audit <sup>1</sup>	6	3	4	13
Office of School Facilities and Support Services	3	5	1	9
HR Investigation Unit <sup>1</sup>	1	2	3	6
Office of Curriculum, Instruction and Student Support	0	3	0	3
Office of Human Resources	2	1	0	3
Office of Information Technology Services	0	0	0	0
Other	FY 2016	FY 2017	FY 2018 (Q3)	Total # of Cases
Charter School Liaison	9	9	3	21
Minor Issues <sup>2</sup>	37	107	102	246
<b>Grand Total</b>	<b>122</b>	<b>201</b>	<b>156</b>	<b>479</b>

<sup>1</sup> Internal Audit, Office of the Superintendent, 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.





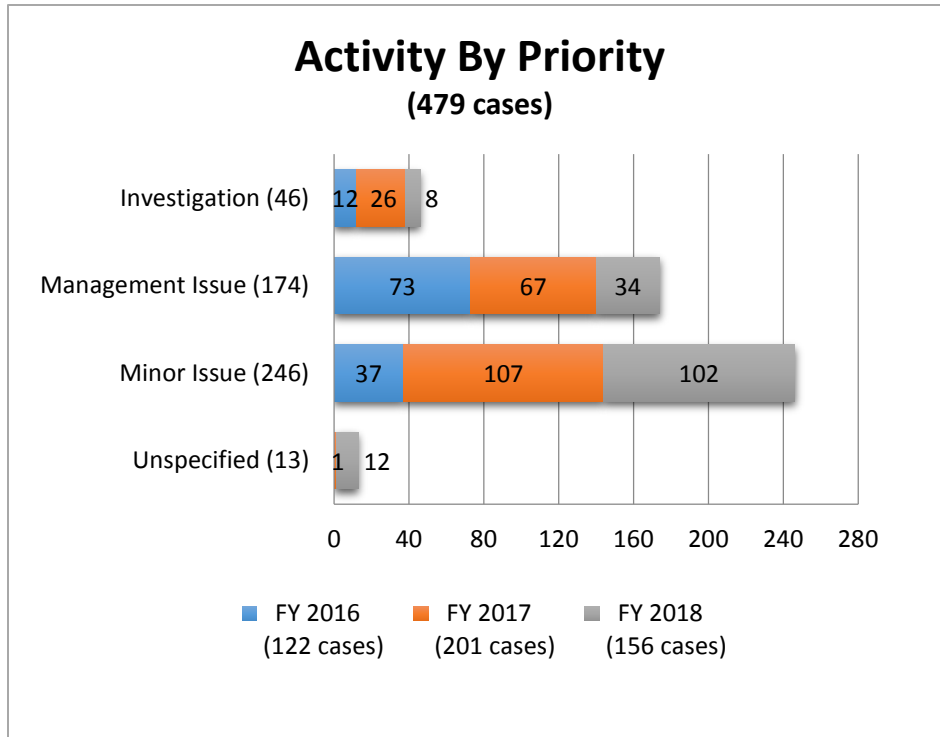
## Fraud & Ethics Hotline Summary (continued)

Status of All Open Hotline Cases as of March 31, 2018

Open Case	CreatedDate	Fiscal Year	Age of Case (in months)	Assigned Area	Location	CaseType	Status as of 3/31/18
1	10/18/2016	FY 2017	12 +	Internal Audit	Office	Misuse of Department Resources	Investigation Ongoing
2	4/17/2017	FY 2017	7 - 11	Windward: Castle Kahuku	School	Human Resources	Pending Outcome
3	4/21/2017	FY 2017	7 - 11	Civil Rights Compliance Office	School	Human Resources	Investigation Ongoing
4	8/2/2017	FY 2018	7 - 11	HR Investigation Unit	Office	Misuse of Department Resources	Investigation Ongoing
5	8/9/2017	FY 2018	7 - 11	Honolulu: Kaimuki McKinley Roosevelt	School	Misuse of Department Resources	Investigation Ongoing
6	8/9/2017	FY 2018	7 - 11	Honolulu: Kaimuki McKinley Roosevelt	School	Human Resources	Investigation Ongoing
7	9/6/2017	FY 2018	7 - 11	Honolulu: Farrington Kaiser Kalani	School	Kickbacks/Gifts	Pending Outcome
8	9/6/2017	FY 2018	7 - 11	Honolulu: Farrington Kaiser Kalani	School	Human Resources	Pending Outcome
9	10/13/2017	FY 2018	3 - 6	Honolulu: Kaimuki McKinley Roosevelt	School	Human Resources	Pending Outcome
10	10/23/2017	FY 2018	3 - 6	Honolulu: Kaimuki McKinley Roosevelt	School	Human Resources	Investigation Ongoing
11	10/28/2017	FY 2018	3 - 6	Civil Rights Compliance Office	School	Human Resources	Investigation Ongoing
12	11/18/2017	FY 2018	3 - 6	Honolulu: Kaimuki McKinley Roosevelt	School	Human Resources	Investigation Ongoing
13	11/30/2017	FY 2018	3 - 6	Charter School Liaison	School	Human Resources	Investigation Ongoing
14 - 24	There are 11 cases from FY 2018 that have been open for less than three months. These cases are currently assigned for review or being vetted prior to 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 Issue.

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:

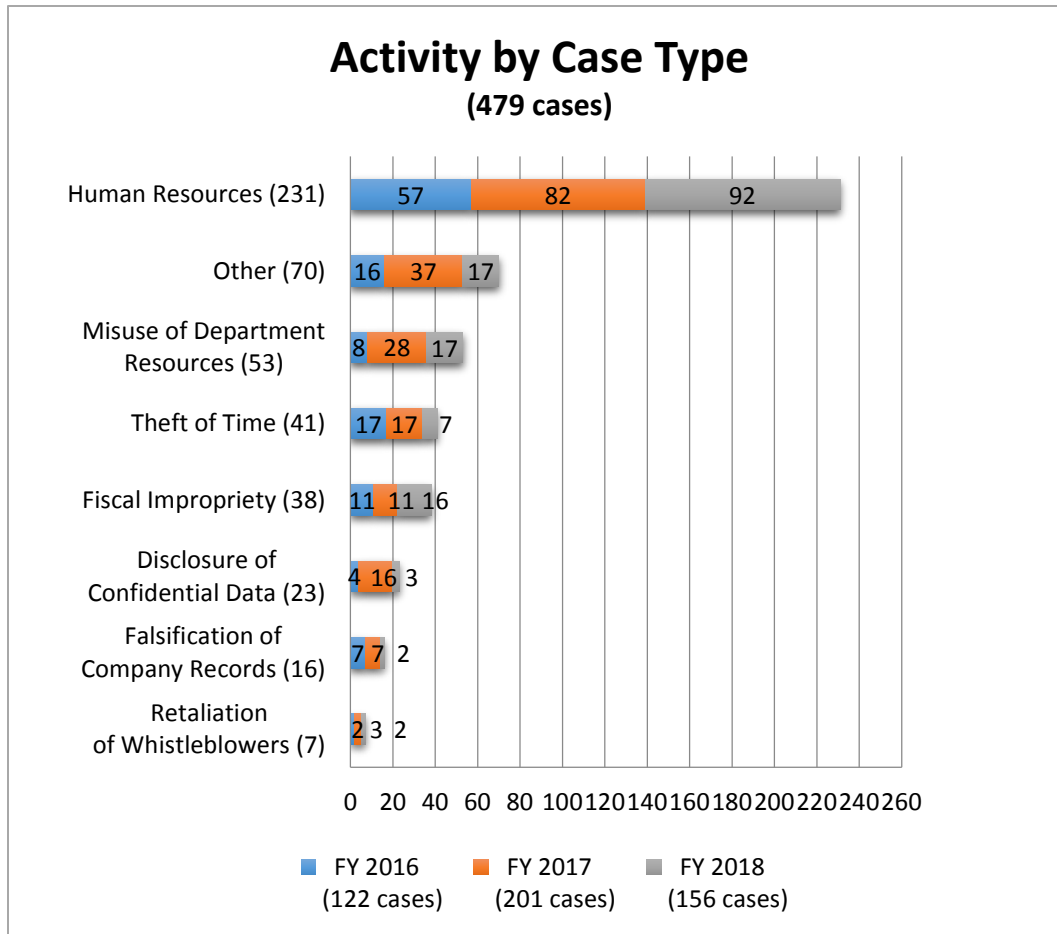
- (a) work performance issues,
- (b) other misconduct such as inappropriate behavior or undesirable behavior, or
- (c) wherever an allegation (if true) is likely to be resolved without disciplinary action.

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: Questions, comments, complaints, or allegations that do not fall within another category (e.g., grading & instruction, administrative decisions, school safety, staff performance, etc.)
- Misuse of Dept. Resources: Unauthorized or inappropriate use of DOE resources
- Theft of Time: Any act which causes an employee to be paid for time not worked for the benefit of the DOE
- Fiscal Impropriety: Financial misstatement, fraud, or theft of cash, goods, or services
- Disclosure of Confidential Data: Inappropriate use or disclosure of confidential information
- 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

# 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
Ethics Review (Issued February 2018)	1	Operational	Moderate	0	0	1	0
	2	Operational	Moderate	0	0	1	0

**Objectives:**

1. To review and evaluate the design and operating effectiveness of the DOE’s ethics-related programs and related processes to ensure effective governance and accountability throughout the DOE.
2. To review and evaluate the design, implementation, and operating effectiveness of the DOE’s Code of Conduct.
3. To provide recommendations for improvement to enhance effectiveness and efficiency.

<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>Ethics Review, Issued February 2018</b>		<b>OHR Assistant Superintendent</b>		
<p><b>1. Weaknesses in the Code of Conduct Program</b></p> <p><i>IA Recommendations:</i> Mandatory training to DOE employees, suggestions include video and questionnaire to follow or require Administrators to go over Code of Conduct during “Opening of the School Year Packet” distribution. In addition, each office/school should compile a list of the employees that took the training and send it to OHR. Consider including language on the signature confirmation form that states, employee’s signature certifies that they have reviewed the policies and procedures in the “Opening of the School Year Packet.” In addition, include instructions that the Code of Conduct should be distributed to all employees, volunteers, and contractors. Management should review the Code of Conduct on an annual basis to determine if any updates/changes need to be made and also monitor that employees, volunteers, and contractors have received and reviewed the Code of Conduct.</p> <p><i>Management's Corrective Action Plan Status:</i>  <u>Completed</u></p> <ul style="list-style-type: none"> <li>* "Opening of School Year Packet" forms and memos have been revised and are being routed for review and appropriate signatures.</li> <li>* Code of Conduct training video has been developed and shown to stakeholders and subject matter experts for feedback.</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 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>Ethics Review, Issued February 2018 (continued)</b>		<b>OHR Assistant Superintendent</b>		
<p><b>1. Weaknesses in the Code of Conduct Program (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>* When distributing the “Opening of School Year Packets” to schools/offices, OHR will remind administrators/supervisors to go over the Code of Conduct.</li> <li>* OHR will modify the “Employee Distribution Confirmation” form which accompanies the “Opening of School Year Packet,” to include a statement that the employee has received and reviewed the “Opening of the School Year Packet,” which includes the Code of Conduct.</li> <li>* OHR will initiate discussions with appropriate subject matter experts and offices, regarding distribution of the Code of Conduct to volunteers and contractors.</li> <li>* OHR will review the Code of Conduct and seek appropriate subject matter experts input on an annual basis, for any potential updates/changes. Any revisions to the Code of Conduct are subject to consultation with unions pursuant to Hawaii Revised Statutes Chapter 89.</li> <li>* OHR will monitor and follow-up on receipt of the “Distribution Confirmation” sheet submitted by administrators/supervisors, indicating distribution of the “Opening of School Year Packet” which includes the Code of Conduct.</li> </ul>	(2)	September 2018	Partially Completed - Not Overdue	March 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>Ethics Review, Issued February 2018 (continued)</b>		<b>OHR Assistant Superintendent</b>		
<p><b>2. Need for Improvements in the Ethical Climate</b></p> <p><i>IA Recommendations:</i> Engage with appropriate offices to create or update communication materials to emphasize the Hotline and the Non-Retaliation policy and DOE's commitment to protecting employees who report a violation or participate in an investigation.</p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* Code of Conduct training video has been developed and shown to stakeholders and subject matter experts for feedback.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* OHR will initiate discussions with appropriate subject matter experts and offices, regarding reminders of the Non-Retaliation policy and to publicize the Fraud and Ethics Hotline.</li> </ul>	(2)	June 2018 (following consultation with unions as necessary)	Partially Completed - Not Overdue	March 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	1	0
	2	Compliance	Moderate	0	0	1	0
	3	Operational	Low	0	1	0	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 ✓
OSSEFS Assistant Superintendent Facilities Maintenance Branch Administrator				
<b>Equipment and Fleet Maintenance Follow-Up Review, Issued January 2018</b>				
<p><b>1. Need for better oversight, monitoring, tracking and accountability</b></p> <p><i>IA Recommendations:</i> Management should be diligent in their efforts to provide oversight, monitoring, and tracking of established FMB SOPs. Training should continue to be provided and all employees should be held accountable to following the SOPs. Management should create a tracking list of all fuel cards. The list should include the location of the card and for which asset it is assigned to. It should also be maintained for any updates for lost or replaced cards. Management should perform physical inventory on a timely basis and update Maximo for any changes noted during the inventory count.</p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* FMB updated Maximo TR-Assets with the accompanying vendor gas card assigned to each vehicle. FMB Management will also update these cards as they are turned in, lost or cancelled, etc.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* Management will be doing a quarterly base yard meeting at the end of April to review SOPs with employees at each base yard. Management will continue to monitor and review SOP's annually with employees and/or more frequently if warranted.</li> <li>* Management will create a database to track all vehicle and fuel cards in FMB Maximo System by March 2018. The data will be updated whenever there is a change. FMB Management will have access to the data.</li> <li>* Management will perform semi-annual physical inventory counts and update changes on a timely basis. Management will also review the current process and ensure that adequate parties are notified as changes occur to update inventory.</li> </ul>	(2)	July 2018	Partially Completed - Not Overdue	March 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 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>OSSFS Assistant Superintendent Facilities Maintenance Branch Administrator</b>				
<b>Equipment and Fleet Maintenance Follow-Up Review, Issued January 2018 (continued)</b>				
<p><b>2. Procedures are not always followed: Fuel purchasing</b></p> <p><i>IA Recommendations:</i> Management should continue their monthly review over the mileage logs and fuel purchasing process. Management should make a notation on the mileage logs to indicate that the review was performed. Management should also continue to remind employees about the policies and procedures. Management should require that the Daily Automotive Equipment Use Record or Mower Monthly Fuel Purchase Logs be properly completed and submitted on a daily basis. District Managers at each baseyard should do a daily spot check to ensure that all logs are completed. At the end of each month, Management should electronically input the data from the logs onto a spreadsheet and run an analysis for fuel consumption reasonableness test. Anomalies should be researched and resolved in a timely manner. Management should consider methods to automate the mileage tracking processes to help increase the accuracy of reporting.</p> <p><i>Management's Corrective Action Plan Status:</i></p> <p><u>Completed</u></p> <ul style="list-style-type: none"> <li>* FMB is inputting mileage data into Maximo and running monthly reports to see where discrepancies exist. FMB will then address the discrepancies with the employee involved. FMB also requested the Districts to turn in monthly mileage logs even if there is no activity.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* District Supervisors will perform weekly spot checks to be sure all transactions/receipts are accounted for and match each individual's log sheet. Management will collect the sheets monthly and log information in a database to analyze the data monthly for deficiencies and errors.</li> <li>* Management will input data monthly to analyze data for deficiencies or concerns that occur and address it with employees.</li> </ul>	(2)	July 2018	Partially Completed - Not Overdue	March 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 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 ✓
<p>Equipment and Fleet Maintenance Follow-Up Review, Issued January 2018 (continued)</p> <p style="text-align: right;">OSSFS Assistant Superintendent Facilities Maintenance Branch Administrator</p>				
<p><b>3. Inefficiencies due to manual processes</b></p> <p><i>IA Recommendation:</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>Management's Corrective Action Plan Status:</i></p> <p><u>Outstanding</u></p> <p>* Management will continue to pursue mobile devices in order to streamline data entry processes.</p>	(3)	March 2019	Partially Completed - Not Overdue	March 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><i><b>IA Recommendations:</b></i> 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><i><b>Management's Corrective Action Plan Status:</b></i></p> <p><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 evaluates the overall condition of the cafeteria operations while providing hands-on technical assistance to SFSM on any deficiencies that are discovered during the review. Supervisors utilize the actual documents of the operations to provide technical assistance and feedback.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* SFSB is in the beginning stages of planning for training/ However, locations and materials have not been developed or selected at this time.</li> <li>* SFSB has begun reviewing the following policies: Meal Counting and claiming, Menu Planning, Meal Accountability, and Cafeteria Standard Operations. Once the policies are completed over the next couple of months, SFSB will develop training for the staff.</li> </ul>	(2)	August 2018	Partially Completed - Not Overdue	March 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><i><b>IA Recommendations:</b></i> 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><i><b>Management's Corrective Action Plan Status:</b></i></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 evaluates the overall condition of the cafeteria operations while providing hands-on technical assistance to SFSM on any deficiencies that are discovered during the review. Supervisors utilize the actual documents of the operations to provide technical assistance and feedback.</li> </ul> <p><u>Outstanding</u></p> <ul style="list-style-type: none"> <li>* SFSB is in the beginning stages of planning for training/ However, locations and materials have not been developed or selected at this time.</li> <li>* SFSB has begun reviewing the following policies: Meal Counting and claiming, Menu Planning, Meal Accountability, and Cafeteria Standard Operations. Once the policies are completed over the next couple of months, SFSB will develop training for the staff.</li> </ul>	(2)	December 2018	Partially Completed - Not Overdue	March 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>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 will be writing an RFP for a new software system, which is schedule to be out in the summer of 2018. At this time, the RFP has been developed; however, edits need to be completed for the RFP to be ready for the summer of 2018. The RFP will include all the modules listed during the October meeting.</p>	(3)	December 2019	Partially Completed - Not Overdue	December 2017

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
Fixed Assets Management Review (Issued April 2015)	1	Financial	High	0	0	1	0
	2	Compliance	Moderate	0	0	1	0
	3	Operational	Low	0	0	1	0
	4	Operational	Low	0	0	1	0

**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></p> <p><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>June 2017 (Short Term)</p> <p>December 2020 (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><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>* 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 ✓
<p><b>Fixed Assets Management Review, Issued April 2015 (continued)</b> <span style="float: right;"><b>Accounting Director and Director of Safety, Security, and Emergency Preparedness Branch</b></span></p>				
<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)	<p>June 2017</p> <p>June 2019 (1st Extension)</p>	<p>Partially Completed - Not Overdue</p>	<p>March 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.



# 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></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> <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>June 2017</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
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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>1. Inefficiencies and clerical errors resulting from manual processes (continued)</b></p> <p><i>Management's Corrective Action Plan Status:</i>  <u>Completed (continued)</u></p> <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> <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>* DOE has been moved to Go Live Deployment Group 3 for Payroll Processing which is in the October-November 2018 time frame. Work continues on the Hawaii Pay project. Group 1 is scheduled to Go Live with the May 5, 2018 pay date. Group 2 is scheduled to go live in the July-August 2018 timeframe.</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)	<p style="text-align: center;"><del>December-2016</del> (Short-Term)</p> <p style="text-align: center;">January 2018 (Long-Term)</p> <p style="text-align: center;">March 2018 (Short-Term)</p> <p style="text-align: center;">July 2018 (Long-Term) (1st Extension)</p>	Partially Completed -Not Overdue	March 2018

<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>IA Recommendations:</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>Management's Corrective Action Plan Status:</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>* DOE has been moved to Go Live Deployment Group 3 for Payroll Processing which is in the October-November 2018 time frame. Work continues on the Hawaii Pay project. Group 1 is scheduled to Go Live with the May 5, 2018 pay date. Group 2 is scheduled to go live in the July-August 2018 timeframe.</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>December-2016- (Short-Term)</p> <p>January 2018 (Long-Term)</p> <p>March 2018 (Short-Term)</p> <p>July 2018 (Long-Term) (1st Extension)</p>	Partially Completed -Not Overdue	March 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
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

	Audit Rating	Common Observations				
		Lack of Oversight & Monitoring	Lack of Policies & Procedures	Segregation of Duties	Insufficient Training	Lack of Compliance
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: 27 Reviews Conducted to Date	8/27 Unacceptable 13/27 Marginal 5/27 Acceptable 1/27 Not Rated	24 / 27	11 / 27	7 / 27	15 / 27	19 / 27
% of TOTAL	30% Unacceptable 48% Marginal 18% Acceptable 4% Not Rated	89%	41%	26%	56%	71%

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



# Audit Plan Results Summary: July 1, 2017 through March 31, 2018

## Appendix C

DESCRIPTION	FY 2018												Cumulative Hours			
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Budget	Actual	ETC	Variance
<b>Assurance Projects (Approved)</b>																
Investigation Process Review													650	425	225	-
School Food Services Follow-Up Review													400	424	-	24
Ethics Review													480	481	-	1
Equipment and Fleet Maintenance Follow-Up Review													350	385	-	35
Capital Construction Oversight and Management Implementation Follow-Up													560	277	283	-
Student Information System Post-Implementation Review / Data Integrity Follow-Up Review - Student Enrollment													600	36	564	-
School Based Reviews <sup>1, 4</sup>													4,160	2,126	2,034	-
<b>IA Consulting, Monitoring, Fiscal Reviews &amp; Other</b>																
Monitoring Based on Management Action Plans <sup>4</sup>													200	57	143	-
Data Mining & Baseline Monitoring Projects <sup>2, 4</sup>													1,300	1,249	51	-
Internal Control & Operational Efficiency Consultation <sup>4</sup>													300	64	236	-
Fiscal Reviews <sup>4</sup>													800	229	571	-
Fraud & Ethics Hotline - Confidential Reporting Mechanism <sup>4</sup>													800	713	87	-
Function Administration <sup>3, 4</sup>													1,600	1,559	41	-
Risk Assessment & Audit Plan for FY 2018													400	369	31	-
Total Hours												12,600	8,394	4,266	60	

Scheduled Timeline    
  In Process    
  Estimated Date of Completion    
  Completed – Final Results Issued

Key:  
 Budget - Original Approved Budget  
 Actual - Actual Hours Incurred Through March 31, 2018  
 ETC – Estimated Time to Complete  
 Variance - [(Actual + ETC) – Budget as Amended] = over / (under) budget as amended

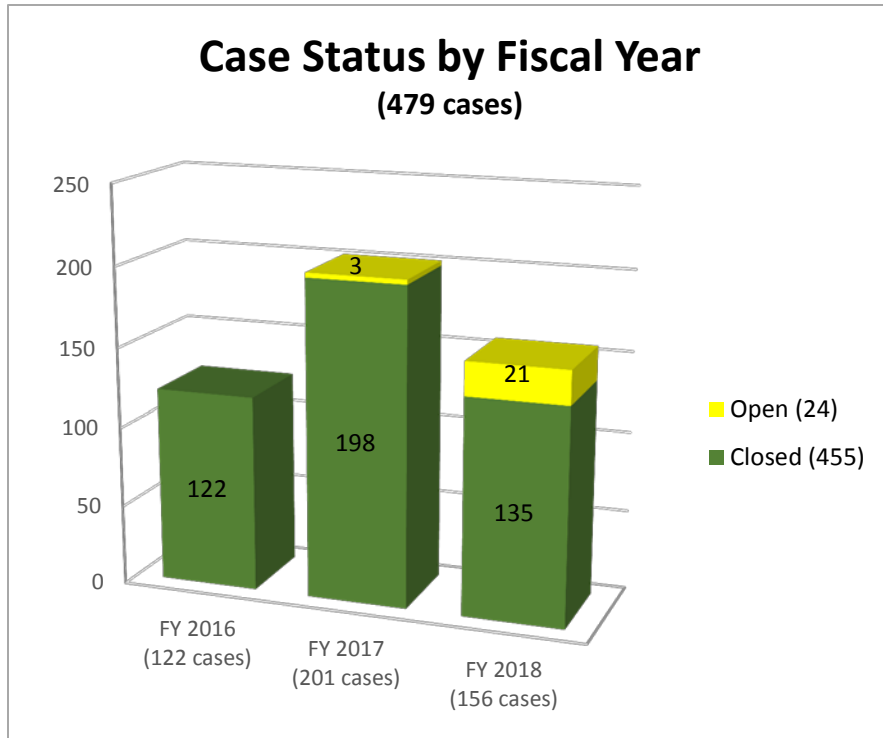
<sup>1</sup> School Based Reviews – Student Activity Fund Audits, School Monitoring Reviews, and other.  
<sup>2</sup> Baseline Monitoring Projects – Special Project – Annual Checklist, Continuous Auditing, and other.  
<sup>3</sup> Function Administration – Personnel Staffing, Budget, Staff Meetings, Materials Preparation for Board Meetings, and Annual Audit Assistance.  
<sup>4</sup> On-going, reported quarterly





# Additional Fraud & Ethics Hotline Summaries

Hotline Cases for the Three Most Current Fiscal Years (July 1, 2015 through March 31, 2018)



### Case Status

- A total of 479 cases were received during the three most current fiscal years.
  - 455 cases are closed, and 24 are open.
- Summary of Cases by Fiscal Year (FY):
  - 3 of the 201 cases from FY 2017 are still in progress.
  - 21 of the 156 cases from FY 2018 are still in progress.

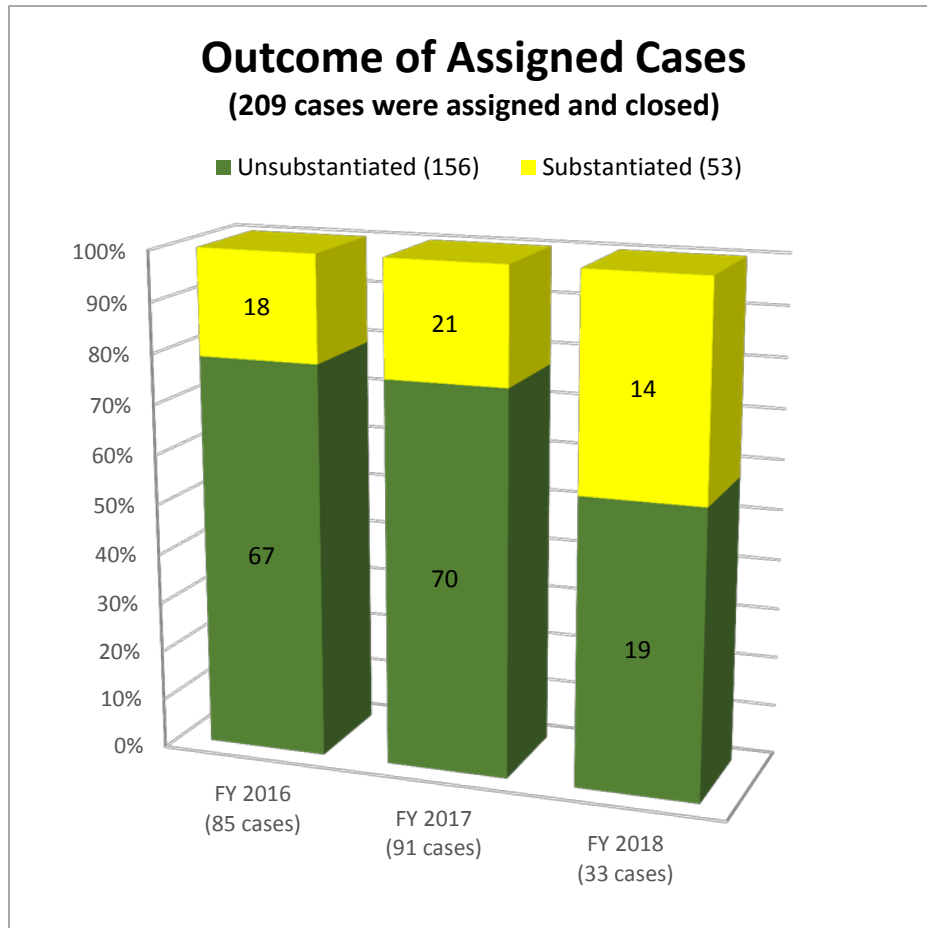
### Outstanding Cases from Prior Years (not shown in chart)

- There are no outstanding cases from prior years.



# Additional Fraud & Ethics Hotline Summaries (continued)

## Appendix D



### Closed Cases

- 455 cases were closed during the period. 246 cases were closed as minor issues and 209 cases were assigned for formal case review prior to closure.
- Of those assigned cases, 53 were substantiated and 156 were unsubstantiated.
- The primary issues in the substantiated cases were Human Resource issues (24 cases) followed by Theft of Time (8 cases) and Fiscal Impropriety (6 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.

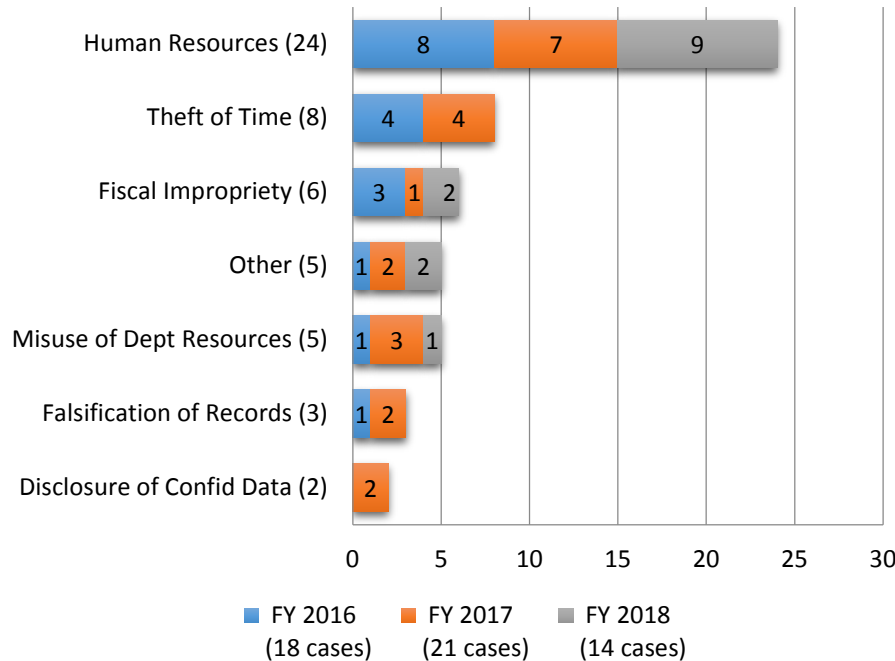
Unsubstantiated = Either the allegation/complaint was determined or proven to be untrue, or there was not enough evidence to substantiate.



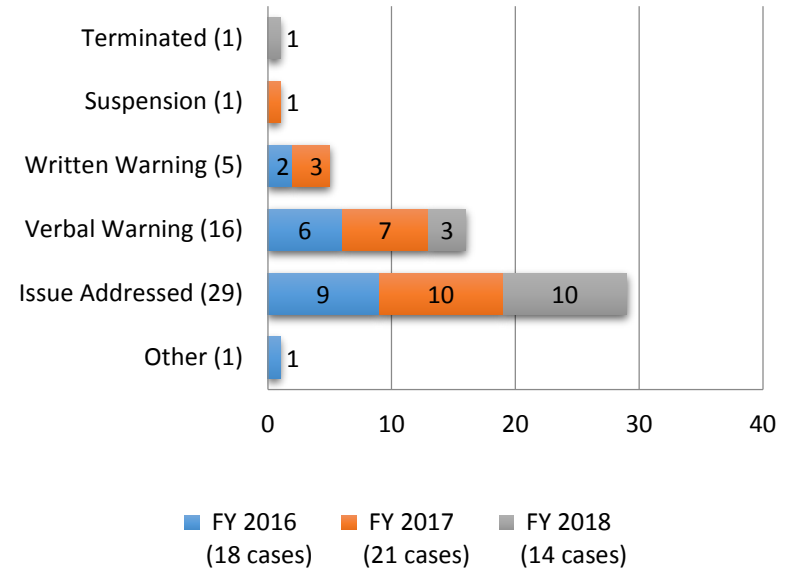
# Additional Fraud & Ethics Hotline Summaries (continued)

Appendix D

### Case Types of Substantiated Cases (53 cases)



### Disposition of Substantiated Cases (53 cases)



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

Other (Disposition) = employee resigned