Office of Internal Compliance

Audit Committee Meeting

December 19, 2019

2:00 PM

Presented by:

Connie Brown, Executive Director – Internal Compliance

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Content

- ➢ OIC Update
  - ❑ IT Risk Assessment
  - ❑ Corrective Action Plan Follow Up
  - ❑ Audit Report Discussions
    - ▪ Parking Lot Funds Process & Cash Management Review
- ➢ Audit Plan – SY2020 Update
- ➢ Ethics & Compliance Hotline Quarterly Update
- ➢ Internal Audit Activity Charter (2nd DRAFT)

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Corrective Action Follow- Up

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Corrective Plan Follow Up Summary (12/19/19)

Report #	Report	Released	# of Recs (Per Report)	# of Open Recs
FY18-11	Transportation - Certification & Inspection Program	December 18, 2018	11	8
FY18-19	IT General Controls Review	September 7, 2018	9	0
FY19-08	Office of Innovation-Charter and Partner School Operations	February 12, 2019	3	3
FY19-11	Infinite Campus Access Review	March 21, 2019	2	2
FY19-12	Pay Parity	July 29, 2019	4	4
FY19-13	Construction Projects Risk and Control Assessment	July 31, 2019	5	5
FY19-14	Inifinte Campus Monitoring Review	March 21, 2019	2	2
FY19-15	Nutrition Vendor Management & Oversight	June 11, 2019	3	3
FY20-01	Parking Lot Funds Process & Cash Management Review	December 4, 2019	4	4
Total			**43**	**31**

FY18-19 ITGC Follow Up (FU-FY20-01)

Observation #	Observation Area	Risk Level	Est. Completion Date	Current Status
1	Business Impact Analysis & Disaster Recovery	High	Mar 2019	Implemented*
2	Logical Access	High	Dec 2018	Implemented
3	2015 Information Technology Risk Analysis Review	High	Jun 2019	Implemented
4	Vulnerability Analysis and Penetration Test	High	Jun 2019	Implemented
5	Information Security Management System (ISMS) Framework	Med	Jun 2019	Implemented
6	Outdated Documentation	Med	Jun 2019	Implemented
7	Backup and Restore Controls	Med	Jun 2019	Implemented
8	System Development Life Cycle Controls	Med	Jun 2019	Implemented
9	Data Center Environmental and Security Controls	Med	Jun 2019	Implemented

The DR and BIA are completed; however, the legacy Lawson Human Resource hardware was rated high risk due to the time to acquire the hardware. APS IT management advised that this will not be an issue as of November 18, 2019 because the systems will be migrated to the cloud.

FY18-19 ITGC Follow Up

OBSERVATION #	OBSERVATION Area	RESPONSE	IMPLEMENTATION Date	CONCLUSIONS
1	Business Impact Analysis & Disaster Recovery	The team has begun a process of updating the Disaster Recovery & Business Continuity Plan this school year to reflect the recent changes. The document will also include a reassessment of the Business Impact Analysis (BIA) as well as RPOs and RTOs. It will be modified to include the individualized system prioritization for the critical applications/systems	3/30/2019	Implemented
2	Logical Access	There is an ongoing effort to actively review and cleanup accounts within active directory.	12/31/2018	Implemented
3	2015 Information Technology Risk Analysis Review	The APS technology team accepts the recommendation of the audit finding and will partner with the OIC to conduct independent reviews of the remediation status. The team will engage a security vendor to conduct a re-assessment of the APS IT environment this school year.	6/30/2019	Implemented
4	Vulnerability Analysis and Penetration Test	The APS technology team accepts the recommendation of the audit finding to perform Penetration Testing on a regular basis. Budget constraints however may affect our ability to conduct this annually as recommended. We will work with the OIC to negotiate agreed upon schedule (perhaps every 2 years). Also, APS IT has engaged Lockstep to perform penetration testing scheduled to start in October 2018.	6/30/2019	Implemented

FY18-19 ITGC Follow Up

OBSERVATION #	OBSERVATION Area	RESPONSE	IMPLEMENTATION Date	CONCLUSIONS
5	Information Security Management System (ISMS) Framework	The APS technology team accepts the recommendation of the audit finding as best practice. While the current structure is not as formally documented as noted in the finding, many of the identified functions are being performed by a team of two employees to meet the needs of the school system. The recommendations would require a larger team and budget.	6/30/2019	Implemented
6	Outdated Documentation	The APS technology team partially accepts the recommendation of the audit finding. As we implement the document repository platform, we will also ensure that documents are updated to reflect recent infrastructure /architecture changes. We, however, do not believe that all the documents recommended have relevance to APS (i.e. Telework Policy).	6/30/2019	Implemented
7	Backup anmd Restoere Controls	The APS technology team admits that most of these documents need to be reviewed, updated and included as part of finding # 5 above (Outdated Documentation).	6/30/2019	Implemented
8	System Development Life Cycly Controls	APS technology team partially accepts the recommendation of the audit finding that the referenced documents should be reviewed, updated and included as part of finding # 5 above (Outdated Documentation).	6/30/2019	Implemented
9	Data Center Environmental And Security Controls	While the IT technology team does not have a copy of the capacity plan from the original heating/cooling assessment conducted a decade ago, it should be noted that the team is utilizing only about 50% of the planned capacity of the data center server room. We believe that the UPS, air-condition and power distribution currently exceeds the needed capacity. The finding concerning the cardboard boxes has been addressed. We will review this finding further with the OIC.	6/30/2019	Implemented

FY18-11 Transportation Follow Up

OBSERVATION #	OBSERVATION Area	RESPONSE	IMPLEMENTATION Date	CONCLUSIONS
1	Annual Recertification	Fleet Focus will provide ample record keeping functionality. The vendor providing annual physical examination services is required to provide the district with the results of each employee's examination, via email. These documents will be directly uploaded into the Fleet Focus employee information section.	6/30/2019	Implemented
3	Annual Recertification	Going forward, bus operators will be required to sign a document attesting to the completion of annual Dry-Runs.	7/1/2019	Not Implemented

FY19-11 Infinite Campus Access Control Follow Up (12/09/2019)

OBSERVATION #	OBSERVATION Area	RESPONSE	IMPLEMENTATION Date	CONCLUSIONS
1	Access Review	The following guidelines have been developed to ensure access to data with the SIS remains secure and appropriate, as well as, ensuring that the system itself is secure. *Guidelines for requesting access to the Student Information System* *Guidelines for terminiation of access to the Student Information System*	7/1/2019	Not Implemented

Audit Report Discussion

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Parking Lot Funds Process & Cash Management Review

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Audit Start Date: July 16, 2019

Report Issue Date: December 4, 2019

Objectives:

- The objective of this audit was to determine if the same salary is paid to employees working in the same job with the same pay grade/years of experience, and ensuring these employees are placed on the correct step per the APS Salary Schedule.

Tasks Performed to Achieve Objectives:

- Interviewing key school personnel
- Reviewing School Parking Lot Guidelines
- Reviewing School Parking Lot Event Calendars
- Reviewing Finance Policy and Procedure Manual
- Conducting parking solution feasibility study
- Testing of internal controls

Scope: The scope of the audit included the review of employee HR files and Global Human Resources (GHR) Salary and Wages report of all active full time employees from July 1, 2017 through April 23, 2019.

Results: Cash management processes and internal controls need to be strengthened to make certain parking lot funds are properly tracked, accounted for and safeguarded to decrease the risk for lost or stolen funds, understated/overstated revenue and reputational risk as it relates to the district's ability to provide proper stewardship of funds. Also, management oversight and monitoring of cash handling functions need to be improved to make sure there is consistent recording of funds in SABO for school and Accounting Department tracking purposes.

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Parking Lot Funds Process & Cash Management Review

Positive Aspects of Parking Lot Fundraisers:

The district has a number of controls in place to mitigate risks involving school parking lot fundraisers. Some of those controls include:

- The Request for Fund Raising Project Form is used by the school and is approved by the Principal and Associate Superintendent before any fundraising event takes place in the parking lots.

- A Sponsorship Agreement form is required to be completed by the Sponsor and approved by the Principal before the Sponsor can collect funds for the fundraiser event.

- The money is stored in a sealed plastic bank bag and placed in the safe by the Secretary until Dunbar pickup.

- Duties are separated between the person who receives and deposits cash, records cash payments and reconciles cash received to deposits for parking lot fundraisers.

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Parking Lot Funds Process & Cash Management Review

Observation 1 (Inman MS)	Recommendation (s)	Manager's Corrective Action Plan
There is no system in place to account for and track the amount of funds collected for parking spaces sold during parking lot fundraisers at Inman Middle School and Grady High School.	School Leadership should consider using the ticket system for parking lot fundraisers. School Leadership should consider using the Ticket Taker Report to document the tickets sold and funds collected for reconciliation and tracking purposes. School Leadership should consider establishing a Parking Lot Fundraiser account number in SABO that all schools can use to post parking lot fund so that the Accounting Department has the ability to accurately track and account for all funds related to parking lot fundraisers. The District should consider implementing the On-Demand Parkmobile parking solution for the Grady and Washington Cluster parking lots.	For Washington Cluster schools and Inman Middle School, a meeting will be held with the principals and their parking lot manger (if applicable) to review each audit recommendation. Inman Middle School will use a two-ply numbered ticket to collect and account for the funds raised. Inman Middle School will use the parking lot ticket reporting form to document the number to tickets they have sold. The form will also be used to reconcile the ticket sales to cash collected. Inman Middle School will deposit the parking lot funds into a separate SABO account to keep track of the funds The K-8 Washington Cluster principals will consider implementing the On-Demand Parkmobile parking option to collect funds *Implementation Date:* January 1, 2020 *Responsible Party for Implementation:* Each School Principal

Parking Lot Review

Observation 1 (Grady HS)	Recommendation (s)	Manager's Corrective Action Plan
There is no system in place to account for and track the amount of funds collected for parking spaces sold during parking lot fundraisers at Inman Middle School and Grady High School.	School Leadership should consider using the ticket system for parking lot fundraisers. School Leadership should consider using the Ticket Taker Report to document the tickets sold and funds collected for reconciliation and tracking purposes. School Leadership should consider establishing a Parking Lot Fundraiser account number in SABO that all schools can use to post parking lot fund so that the Accounting Department has the ability to accurately track and account for all funds related to parking lot fundraisers. The District should consider implementing the On-Demand Parkmobile parking solution for the Grady and Washington Cluster parking lots.	Tickets will be used for the next parking lot fundraising event which is scheduled for January 1, 2020. The Parking Sales Report form will be used to calculate and reconcile funds received based upon ticket sales. The Parking Sales Report form will be shared with all fundraisers and guidance on use/function will be provided by Mr. Barnes (School Business Manager) and/or Ms. Matthews (School Administrative Assistant). District Accounting staff have been contacted to assist in the creation of a SABO account for Grady parking funds. Once the account is created, parking funds will be deposited into account for transfer to fundraiser's accounts. ParkMobile was not viewed as a good option for monitoring parking on the campus. *Implementation Date:* January 1, 2020 *Responsible Party for Implementation:* Each School Principal

Parking Lot Funds Process & Cash Management Review

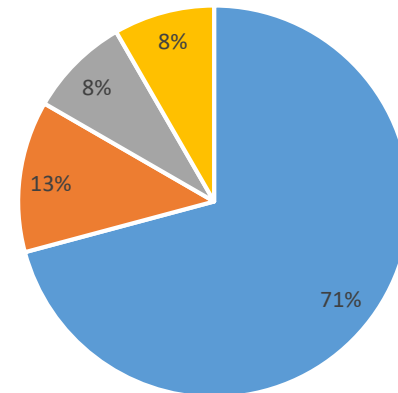| Observation 2	Recommendation	Manager's Corrective Action Plan
There is no safe drop box in place to safeguard funds collected during weekend parking lot fundraising events at Grady High School.	School Leadership should consider using a safe drop box for weekend parking lot fundraiser events for safeguarding of funds purposes. School Leadership should consider locating the safe drop box in a place within the school accessible for Sponsors to utilize after school hours.	The School Resource Officer (SRO) will escort fundraisers to gain entry into the game gym building and storage room where the safe drop box is housed. Funds will be dropped into the safe drop box for retrieval on the next school business day. *Implementation Date:* November 23, 2019 *Responsible Party for Implementation:* School Principal

Parking Lot Funds Process & Cash Management Review

Observation 3	Recommendation	Manager's Corrective Action Plan
Red ticket stubs are not always kept to track and account for the funds collected for parking spaces sold during parking lot fundraising events for the following schools: • Brown Middle School • TAG Elementary School • Jones Elementary School • Hollis Innovative Academy • BTW High School	School Leadership should consider using the Ticket Taker Report to document the tickets sold and funds collected for reconciliation and tracking purposes. The Ticket Taker Report can be used to record the date/location of the event and log the beginning and ending number from the roll of tickets issued to the parking lot staff.	• Each school will use a two-ply numbered ticket to collect and account for the funds raised. • Each School will use the parking lot ticket reporting form to document the number to tickets they have sold. The form will also be used to reconcile the ticket sales to cash collected ***Implementation Date:*** January 1, 2020 ***Responsible Party for Implementation:*** Each Building Principal

Parking Lot Funds Process & Cash Management Review

Observation 4	Recommendation	Manager's Corrective Action Plan
There is no documentation of a reconciliation in place to show parking lot funds collected were reconciled to the number of spaces sold for accounting of funds for the following schools: •TAG Elementary School •Jones Elementary School •Hollis Innovative Academy •BTW High School •Inman Middle School •Grady High School	School Leadership should consider using the Ticket Taker Report to document the tickets sold and funds collected for reconciliation and tracking purposes.	<u>Washington Cluster & Inman MS</u> Each School will use the parking lot ticket reporting form to document the number to tickets they have sold. The form will also be used to reconcile the ticket sales to cash collected. <u>Grady High School</u> The Parking Sales Report form will be used to calculate and reconcile funds received based upon ticket sales. The Parking Sales Report form will be shared with all fundraisers and guidance on use/function will be provided by Mr. Barnes (School Business Manager) and/or Ms. Matthews (School Administrative Assistant). ***Implementation Date:*** January 1, 2020 ***Responsible Party for Implementation:*** Each Building Principal

SY2020 Audit Plan – Status Update 12/19/19

Project Name	Start Date	Close Date	Status	Proposed Start Date
Miscellaneous Cash Activity Account Funds (MCAAF) Audits				
School (12 - TBD)	N/A	N/A	Not Started	2/1/20 - 3/13/20
Payroll Audit	N/A	N/A	Not Started	Mar-20
Athletics	9/4/2019	N/A	In Process	Sep-19
Transportation - Parts vendor oversight	N/A	N/A	Not Started	Mar-20
Parking Lot Funds Process & Cash Management Review	7/16/2019	12/4/2019	Completed	Jul-19
P-Card Continuous Auditing (Quarterly)	10/24/2019	N/A	In Process	Oct-19
Lawson ERP Upgrade Implementaiton Review	N/A	N/A	Not Started	Feb-20
Entity Risk Assessment	10/31/2019	N/A	In Process	Nov-19
IT Risk Assessment	10/16/2019	11/13/2019	Completed	Oct-19
IT Audit (TBD)	N/A	N/A	Not Started	TBD
IT Audit (TBD)	N/A	N/A	Not Started	TBD
Recurring Projects				
Investigations	7/1/2019	N/A	Ongoing	
Audit Follow Up	7/1/2019	N/A	Ongoing	

Not Started 71% · In Process 13% · On-going 8% · Completed 8%

■ Not Started   ■ In Process   ■ On-going   ■ Completed

SY2020 Audit Plan – Status Update 12/13/19

Project Name	Status	Budget Hours	Actual Hours	Variance Over (Under)	Comments
Miscellaneous Cash Activity Account Funds (MCAAF) Audits					
Payroll Audit	Not Started	400	0	(400.00)	
Athletics	In Process	400	408.5	8.50	Decentralized nature of the activity; lack of documentation (processes and source), data/exception validation; unexpected inclusion of other areas (DIG and Registrars)
Transportation - Parts vendor oversight	Not Started	400	0	(400.00)	
Parking Lot Funds Process & Cash Management Review	Completed	200	442.5	242.50	Decentralized nature of activity; parking feasibility study; Internal reviews
P-Card Continuous Auditing (Quarterly)	In Process	200	273.5	73.50	First time Tableau users; new Tableau test scripts; refining test scripts; internal reviews
Recurring Projects					
Investigations	Ongoing	200	0	(200.00)	
Audit Follow Up	Ongoing	300	110	(190.00)	
Special Projects		275	0	(275.00)	

Project Name	Status	Budget Hours	Actual Hours	Variance Over (Under)	Comments
Co-Sourced Projects					
Lawson ERP Upgrade Implementation Review	Not Started	0	0	0.00	
Entity Risk Assessment	In Process	120	44.5	(75.50)	
Audit Follow Up - ITGC	Completed	27	36.5	9.50	Internal reviews; however, budgeted dollars not exceeded
IT Risk Assessment	Completed	180	96	(84.00)	
IT Audit (TBD)	Not Started	0	0	0.00	
IT Audit (TBD)	Not Started	0	0	0.00	

Ethics & Compliance Hotline
FQE 9/30/2019

Case Issue	Total Cases 2019 - Q1	Percentage	Total Cases 2018 - Q1	Percentage
Customer Relations	1	10%	2	11%
Discrimination	1	10%	1	6%
Employee Relations	3	30%	2	11%
Fraud	1	10%	1	6%
Policy Issues	2	20%	3	17%
Substance Abuse	2	20%	1	6%
Theft of Goods/Services			3	17%
Wage/Hour Issues			2	11%
Workplace Violence/Threats			3	17%
Total	10	100%	18	100%

Note: All 10 cases were referred to the Office of Employee Relations (OER). Per the Office of Employee Relations, all of the above cases have been addressed and/or closed.

Internal Audit Activity Charter Discussion

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Questions

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