

Office of Internal Compliance

Audit Committee Meeting

June 20, 2019

2:00 PM

Presented by:

Connie Brown, Executive Director – Internal Compliance

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- OIC Update
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Infinite Campus Monitoring Review

Audit Start Date: January 28, 2019

Report Issue Date: May 21, 2019

Objectives:

- The purpose of the audit was to determine if the controls over IC combined with the monitoring controls, both automated and manual, over the initial entry and subsequent changes to the student record including personal demographic information (e.g., social security number, legal guardian, etc.), grades, and attendance data are sufficient to provide reasonable assurance as to the accuracy and security of that data.

Tasks Performed to Achieve Objectives:

- Reviewed vendor documentation
- Interviewed key personnel
- Performed tests of user data from three different applications (IC, Active Directory and Lawson HR)

Scope: SY 2016 through February, 2019

Results: Two observations & related recommendations; Management accepted all recommendations and agreed to develop and implement corrective action plans.

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Infinite Campus Monitoring Review

Observation 1	Recommendation	Manager's Corrective Action Plan
<p>Not All Non-Charter High Schools Have implemented Strong Controls Over Entering Grades</p>	<p>Principals, along with the District, should develop a process to ensure the requirements of entering grades are being met effectively.</p>	<ul style="list-style-type: none"> • At the June 7, 2019 meeting of high school principals, the Associate Superintendent of High Schools will review the expectations related to grading and will set the expectation that schools identify a person or persons to be responsible for monitoring compliance at each school on a weekly basis. • By the end of August 2019, the Schools & Academics Team will review the current administrative regulations and make recommended revisions to ensure the appropriate level of flexibility by grade-band in alignment with signature programs and current best practices. Those expectations will be communicated to all principals at a meeting to take place before the conclusion of the 1st quarter of the 19-20 school year. • The Schools & Academics Team will collaborate with the Data & Information Group to develop a dashboard to support schools with the monitoring of these grading expectations. The goal for rolling out this dashboard is fall 2019.

Infinite Campus Monitoring Review

Observation 2	Recommendation	Manager's Corrective Action Plan
<p>Not all Non-Charter High Schools Have implemented Strong Controls Over Attendance Taking</p>	<p>Principals, along with the District, should develop a process to ensure the requirements of recording attendance are being met effectively.</p>	<ul style="list-style-type: none"> • At the June 7, 2019 meeting of high school principals, the Associate Superintendent of High Schools will review the expectations related to attendance and will share the Infinite Campus Classroom Monitoring Tool that allows schools to monitor attendance per class period. • By the end of August 2019, the Schools & Academics Team will share the Infinite Campus Classroom Monitoring Tool with all other principals, ensuring that all principals develop a system to monitor take-rates. • Over the course of the 19-20 school year, Associate Superintendents (or their designee) will monitor attendance take-rates at all schools and will require any school with take-rates falling below 95% to implement a more rigorous period-by-period monitoring system. • The Schools & Academics Team will collaborate with the Data & Information Group to bring together all individuals responsible for school-level attendance (attendance clerks, office clerks, registrars, etc.) to share the Infinite Campus Monitoring Tool and to provide additional training around best practices in attendance. The goal for implementing this training is fall 2019.

Nutrition Department's Vendor Management & Oversight Review

Audit Start Date: April 9, 2019

Report Issue Date: June 11, 2019

Objectives:

- To assess the current state risk and controls of the Nutrition Department's Vendor Management and Oversight.

Tasks Performed to Achieve Objectives:

- Reviewed vendor contract
- Interviewed key personnel
- Examined and tested forty (40) specific sections of the vendor contract

Scope: SY2018

Results: Three observations & related recommendations; Executive Director and Nutrition Management accepted all recommendations and agreed to implement corrective action plans.

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Nutrition Department's Vendor Management and Oversight Review

Observation 1	Recommendation	Manager's Corrective Action Plan
<p>Verification documents, for FSMC management team qualifications, are not scrutinized or kept on file.</p>	<p>Management should request credential verification, such as a resume or a human resource validated profile for the FSMC General Manager and Cafeteria Managers.</p>	<p>The APS Nutrition Department serves as the School Food Authority (SFA) and will request the credential verification, such as a resume or a human resources validated profile for the FSMC General Manager prior to being assigned to the SFA. The provided documents will be maintained in the SFA's FSMC data repository. The SFA will request documented proof that Cafeteria Managers possess Manager II level experience or have equivalency of verified successful experience in electronic food production records, inventory systems and point of sale software.</p> <p><i>Implementation Date – June 3, 2019</i></p> <p><i>Person Responsible for Implementation:</i> Executive Director of the Nutrition Department</p>

Nutrition Department's Vendor Management and Oversight Review

Observation 2	Recommendation	Manager's Corrective Action Plan
<p>A mutually agreed upon "Budget" between the SFA and FSMC does not exist, per Nutrition Contract ARTICLE VIII Sec 8.1i.</p>	<p>Management should review contract verbiage and ensure agreement with current practices.</p>	<p>Effective May 24, 2019, the SY20 FSMC Contract was revised to include steps to clarify budgetary expectations. The actions taken can be found in the Article X Sections 10.4, 10.5, 10.6 and 10.7.</p> <p><i>Implementation Date – June 3, 2019</i></p> <p><i>Person Responsible for Implementation:</i> Executive Director of the Nutrition Department</p>

Nutrition Department's Vendor Management and Oversight Review

Observation 3	Recommendation	Manager's Corrective Action Plan
<p>Credits for USDA donated items & Performance Guarantees totaling \$1,968,738.86 are managed by reducing invoice payments.</p>	<p>The effectiveness of collecting credits from FSMC may require this method of accounting. For Financial Reporting purposes, certain year-end journal entries should be made so that Revenue and Expenditures are correctly stated. To ensure proper reporting of revenues and expenditures, the Nutrition Accounting should meet with Finance to validate that accounting transactions are properly vetted and recorded.</p>	<p>Executive Director of Accounting has collaborated and agreed going forward that any actions requiring journal entries will be communicated via email to the Finance Department by the Nutrition Accounting Manager. Journal entries will indicate credits to the vendor's invoice.</p> <p>Standard Operating Procedures (SOP) have been developed for the implementation of management's corrective actions.</p> <p><i>Implementation Date – June 3, 2019</i></p> <p><i>Person Responsible for Implementation:</i> Executive Director of Accounting and Nutrition Accounting Manager</p>

Procurement Services Review

Audit Start Date: September 28, 2018

Report Issue Date: June 18, 2019

Objectives:

- The objective of this audit was to determine if adequate controls are in place within the procurement services function, as well as provide assurance that those controls are operating efficiently and effectively.

Tasks Performed to Achieve Objectives:

- Interviewed key personnel
- Examined Lawson Financial System inputs and related documentation
- Performed tests on selected requisitions and purchases orders

Scope: Requisitions and Purchase Orders initiated from September 1, 2017 to January 28, 2019.

Results: Based on audit observations, we noticed some general overarching themes in the procurement services function. A lack of document retention exists which would serve as evidence of adherence to policies, procedures, and regulatory compliance requirements. Internal controls are not sufficient to minimize financial risk, compliance risk, and fraud risk down to an acceptable tolerance level.

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Procurement Services Review

Observation 1	Recommendation	Manager's Corrective Action Plan
<p>Periodic Access Review During the course of our audit, it was discovered that the Information Technology Services (“ITS”) department is not performing periodic access reviews.</p>	<p>We recommend the following steps for ITS management to consider in establishing a periodic access review program to address identified risks:</p> <ul style="list-style-type: none"> • Develop a plan for periodic access review • Update ITS policy and/or procedure documents to reflect the changes. • Communicate the new process updates to the appropriate ITS and APS department personnel. • Implement the Periodic Access Review and maintain evidence to support that the review was performed. 	<p>We acknowledge that there has to be a process to periodically cleanup access rights that may have been provisioned to the former employee(s) as recommended in the audit finding.</p> <p>Implementation Plan #1</p> <ul style="list-style-type: none"> • Monthly Review/Cleanup - In January 2019, we developed processes to perform cleanup actions for application rights/access. This process needs to be immediately implemented for the Lawson system. • Implementation Date: July 2019 • Person Responsible for Implementation: Caprice Bryant, supported by Tameka Barber • Comments: In July 2019, we will begin a monthly review/cleanup of access rights for former employees to ensure that those rights are completely removed from the Lawson system. • Action: Initial mass cleanup required; develop, implement and monitor process for on-going cleanup

Procurement Services Review

Observation 1 (Cont.)	Recommendation	Manager's Corrective Action Plan
		<p>Implementation Plan #2</p> <ul style="list-style-type: none"> • Implement role-based access to Lawson in order to address employees that transfer to new roles/positions. <ul style="list-style-type: none"> Phase 1 - GHR Security (implemented Summer 2018) Phase 2 – Lawson S3 Security (estimated November 2019) Phase 3 – Role-based access (FY2021) • Implementation Date: FY 2021 (estimated) • Responsible Party for implementation: Executive Director – Information Technology, supported by Lawson Upgrade Team & IT Security • Comments: Role-based access to the Lawson system is something that we have been looking at doing. This however has a dependency on the on-going ERP upgrade project. The role-based access (when fully implemented) will help to address the issue of employees who transfer from one role into another. It will automate the de-provisioning process. • Action: Develop and implement role-based access dependent on HR data

Procurement Services Review

Observation 2	Recommendation	Manager's Corrective Action Plan
<p>Segregation of Duties An analysis of Segregation of Duties within the procurement process has not been performed. Although the Lawson system has capabilities to report on segregation of duties, procurement management has not utilized that functionality nor performed a segregation of duties analysis to determine if logical access for procurement personnel is appropriate.</p>	<p>Procurement management should consider developing and implementing the following processes and procedures:</p> <ul style="list-style-type: none"> • Establish and implement standards that enforce segregation of duties; • Periodically review and update the standards; • Identify and document conflicting duties and responsibilities; • Enforce segregation of duties physically and logically where feasible and appropriate; and • Review the impact on segregation of duties and reassign responsibilities where necessary when job roles and responsibilities are created and/or updated. 	<p>If the IT Department is able to give Procurement access to a list of users and their permission levels within Lawson as described in Observation #1 above, Procurement management will develop a policy around periodic review of access. The review will include review of approval levels (including hierarchies within Departments), recommendations to remove approvals if conflicts exists, and recommendations to purge the system of inactive users on an annual basis.</p> <p>Procurement management is also recommending all users with access to the Procurement portal in Lawson (including entering requisitions, PO receiving, and approvals) be required to take an online webinar on District Purchasing Policies and Procedures before they are given access to the new Lawson upgrade. This requirement would extend to new employees as they join the district, if they will have Procurement related duties.</p> <p>Implementation Date: This date will be tied to the Lawson upgrade date.</p> <p>Responsible Party for Implementation: Procurement Management (Carrie Roberts)</p>

Procurement Services Review

Observation 3	Recommendation	Manager's Corrective Action Plan
<p>Vendor Management Our review of Vendor Registration packet supporting documentation revealed that procurement personnel are not always obtaining and/or maintaining required documentation.</p> <p>Also, there is no oversight or review process in place to ensure that additions, deletions, and changes to the Vendor Master File are appropriate.</p>	<p>Purchasing management should establish a formal Vendor Management Program (which may include the purchase of a vendor management system) to ensure ongoing review and monitoring of the vendor relationship as well as policy and procedure development.</p>	<p>Effective June 1, 2019, Procurement has added services to our current agreement with Bonfire (formal solicitation distribution vendor). The new module includes a Vendor Management and Performance system. With the inception of this new module, vendors will be required to submit vendor registration packets electronically and attachments will be mandatory, ensuring that registration packets are not accepted by the system until they are complete with all mandatory documents. Once the vendor registration is complete in Bonfire, Procurement staff will be able to see their registrations, and the vendor will then be entered into Lawson.</p> <p>Procurement Management is currently in the process of updating Policies and Procedures to reflect the new Bonfire module. These new Policies and Procedures will be available on the Procurement web site, will be incorporated into the "How to do business with APS" seminars, and distributed to the applicable APS staff.</p> <p>Implementation Date: Contract Module Project began June 2019; anticipate 6 months to complete</p> <p>Responsible Party for implementation: Procurement Management (Carrie Roberts)</p>

Procurement Services Review

Observation 4	Recommendation	Manager's Corrective Action Plan
<p>Purchases (Quotes; No Bid Required)</p> <p>The <i>APS Procurement Services Procedure Manual</i> requires two written quotes for purchases valued \$2,001 to \$25,000.</p> <p>In 5 of 8 transactions (63%) that required two quotes or an executed state contract, APS contract, or lease agreement, supporting documentation was missing.</p>	<p>Procurement management should consider developing and implementing controls to ensure that two written quotes are obtained for purchases, and that the documentation (i.e. proof) is retained and filed.</p>	<p>The current procedures require the end-users to keep record of all quotes received for purchases between \$2,001.00 and \$25,000.00. Effective at the start of Fiscal Year 2020, end users will be required to attach two (2) quotes to each requisition for the amounts noted above. Procurement staff will review the quotes prior to approving a purchase order. The quotes will remain in the Lawson application for audit review as needed.</p> <p>Implementation Date: Contract Module Project began June 2019; anticipate 6 months to complete</p> <p>Responsible Party for Implementation: Procurement Management (Carrie Roberts)</p>

Procurement Services Review

Observation 5	Recommendation	Manager's Corrective Action Plan
<p>Purchases (Bidding Practices)</p> <p>We reviewed documentation supporting the formal solicitation process and noted that evidence of required postings, documentation, and approvals were missing as follows:</p> <ul style="list-style-type: none"> • APS website posting (4 of 25 transactions; 16%) • Procurement Administrative Review and/or Evaluation (23 of 25 transactions; 92%) • Certificate of Insurance (20 of 21 transactions; 95%) <p>Note: 23 of the 25 transactions (92%) were not initiated under the current Executive Director.</p>	<p>Procurement management should consider establishing a plan and/or system to enforce the policy of retaining documentation for all bids and tracking compliance.</p>	<p>Effective June 1, 2019, Procurement has added services to our agreement with Bonfire, to include a Contracts Management module. This module will allow us to attach all related documents into the system electronically, and thereby make tracking and compliance easier to monitor.</p> <p>The findings of the Audit Team have prompted Finance and Procurement management to explore best practices regarding the current procedures for soliciting Construction and Architectural projects. Management has identified two options at this time. Option 1 is the consolidation of the Facilities Contracting Services Team to fall under the responsibility of the Procurement Department, to ensure a centralized methodology for solicitations and record keeping. Option 2 involves the Facilities Contracting Services Team utilizing the Bonfire system for solicitations and contract management. Bonfire has the ability to advertise solicitations to a specified list of vendors instead of advertising to the public, thereby allowing us to utilize only the pre-qualified contracts. This option would open up the benefits listed herein to the Facilities Contracting Services Team.</p> <p>Implementation Date:</p> <ul style="list-style-type: none"> • Contract Module Project began June 2019; anticipate 6 months to complete • Option 1 or Option 2, implementation dates will be tied to the Option chosen <p>Responsible Party for Implementation: Procurement Management (Carrie Roberts), Project Manager (Althea Hussey)</p>

Procurement Services Review

Observation 6	Recommendation	Manager's Corrective Action Plan
<p>Contract Management We reviewed supporting documentation for contracts over \$100,000 and noted the following:</p> <ul style="list-style-type: none"> • An executed contract did not exist (4 of 23 transactions; 17%) • Evidence of board approval was missing (5 of 23 transactions; 22%) • Evidence of review by Legal was missing (2 of 25 transactions; 8%) • Services were performed before the contract was executed (5 of 25 transactions; 20%) 	<p>Procurement management should consider establishing a contract management system that will help with tracking, monitoring, and managing vendor contract services; as well as retaining all associated documentation and approvals.</p>	<p>A Contracts Management Module was added to our current Bonfire system June 1, 2019. Procurement is in the process of downloading all existing contracts into this system, and all future contracts will be added at the time of execution. The system will not only be an electronic record of the contract itself, but will allow Procurement to track individual documents such as COIs, E-Verify, and Board approval documents. The system has the capability to automatically notify Procurement staff and end users of contract expirations as well as send end users surveys to track vendor performance.</p> <p>Implementation Date: Contract Module Project began June 2019; anticipate 6 months to complete</p> <p>Responsible Party for Implementation: Procurement Management (Carrie Roberts)</p>

Procurement Services Review

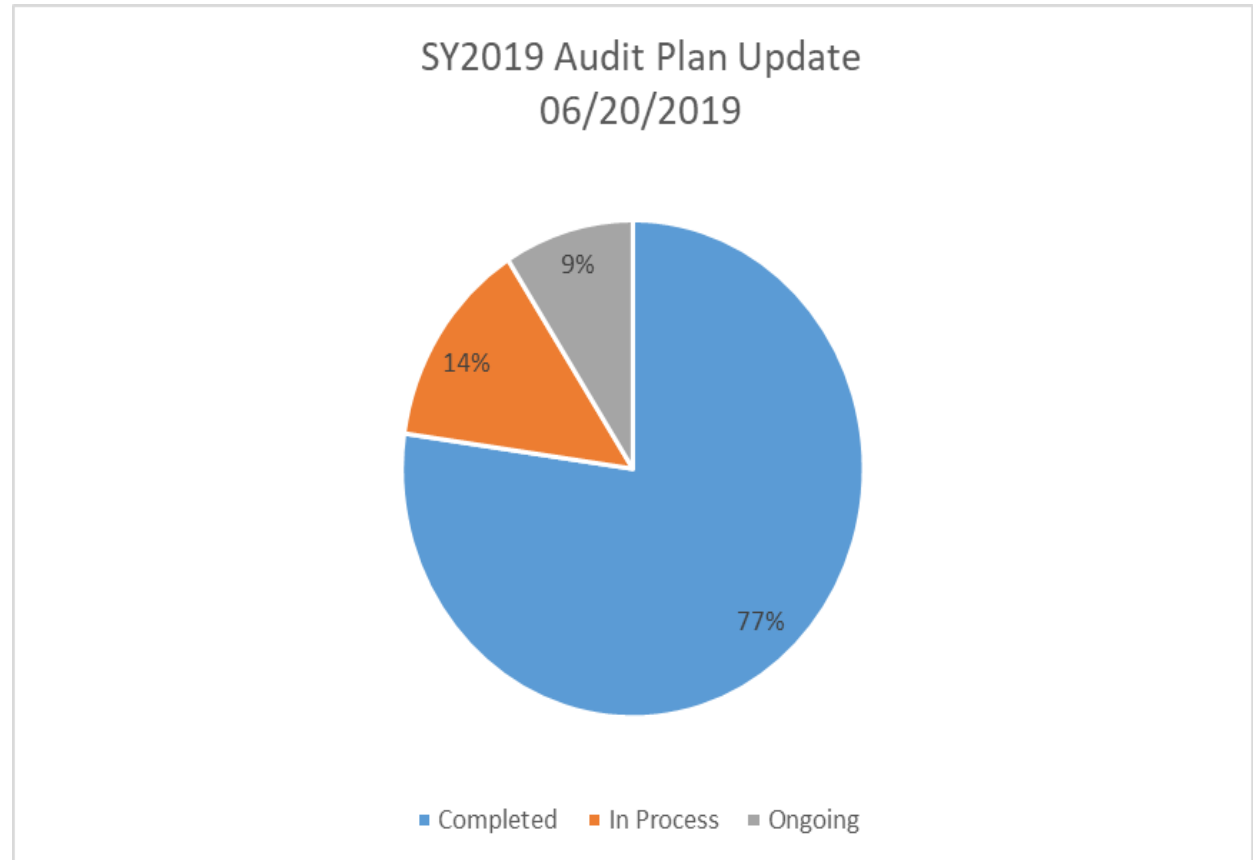
Observation 7	Recommendation	Manager's Corrective Action Plan
<p>Process Documentation We observed that the procurement department's standard operating procedures were in "Draft" format. In addition, processes identified during interviews with key staff were not always documented or executed as described in the interview.</p>	<p>Procurement management should establish a system for approval, publishing (including version control), and communication of policy and procedure documentation.</p>	<p>The Standard Operating Procedures document that was reviewed by the Audit Team has been reviewed and approved by Procurement Management. The "Draft" watermark has been removed and an effective date has been added to the footer of the document. As changes are made to this document, effective dates will be updated as well.</p> <p>Implementation Date: Contract Module Project began June 2019; anticipate 6 months to complete</p> <p>Responsible Party for Implementation: Procurement Management (Carrie Roberts)</p>

Audit Plan – Status Update

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SY2019 Audit Plan – Status Update



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SY2019 Audit Plan – Status Update

	Start Date	Close Date	Status
Audit Priorities			
SY18 Carry Over Audits			
Transportation - Certification & Inspections	10/2/2017	12/18/2018	Completed
P-Card Audit	3/16/2018	9/1/2018	Completed
Employee/Vendor Background Check	5/7/2018		In Process
IT General Controls Review	3/27/2018	9/7/2018	Completed
Miscellaneous Cash Activity Account Funds (MCAAF) Audits			
MCAAF Audits - New Principals			
Young MS	7/24/2018	8/20/2018	Completed
Tuskegee Airman Global Academy	9/5/2018	9/17/2018	Completed
Dunbar ES	8/21/2018	8/30/2018	Completed
Smith ES	7/31/2018	8/31/2018	Completed
Bunche MS	7/25/2018	9/28/2018	Completed
Brandon ES	8/8/2018	9/10/2018	Completed
Bolton ES	8/31/2018	10/11/2018	Completed
Cascade ES	9/12/2018	9/24/2018	Completed
Procurement Audit	9/28/2018	6/18/2019	Completed
Nutrition Vendor Management & Oversight Review	4/9/2019	6/11/2019	Completed
Construction Audit	3/6/2019		In Process
Charter School Operations	9/6/2018	2/12/2019	Completed
Pay Parity Audit	4/17/2019		In Process
Infinite Campus Access Controls	1/28/2019	3/21/2019	Completed
Infinite Campus Monitoring & Oversight Review	3/1/2019	5/21/2019	Completed
Audit Follow Up			Ongoing
Special Projects			
Investigations			Ongoing
Mkinsight Implementation, Training & Set Up	8/27/2018	3/25/2019	Completed

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SY2019 Audits in Process (6/20/2019)

Report	Planned Release Date
Employee/Vendor Background Check	August 2019
Construction Audit	June 2019
Pay Parity Audit	July 2019
Notes: Audits should be posted on OIC website after the August 2019 Audit Committee Meeting.	

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SY2020 Proposed Audit Plan

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Proposed Audit Plan SY2020

Potential Audit Projects	Budget Hours
MCAAF Audits - 12 Schools	480
Payroll Audit	400
Athletics	400
Transportation - Parts vendor oversight	400
Parking Lot Funds Process & Cash Management Review	200
P-Card Continuous Auditing (Quarterly)	200
Recurring/Special Projects	
Ethics & Compliance Hotline Follow-Up	200
Audit Follow Up	300
Special Projects	275
Available Audit Hours	2,855

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Proposed Co-Sourced/Outsourced Projects – SY2020

Co-Sourced/Out-Sourced Projects
Senior Manager Liaison
IT General Controls Review Follow-Up
Risk Assessment
IT Risk Assessment
IT Audit - TBD
IT Audit - TBD
Lawson ERP Upgrade Implementation Review

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Questions



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