

**MINUTES OF THE BOARD OF EDUCATION OF HOWARD COUNTY
AUDIT COMMITTEE**

March 28, 2006

The Audit Committee of the Board of Education of Howard County met in public on Tuesday, March 28, 2006, at 1:00 p.m., in Room B37, located at 10920 Route 108, Ellicott City, Maryland. The following were present:

Patricia S. Gordon, BOE Audit Committee Member
Diane B. Mikulis, BOE Audit Committee Member
Raymond H. Brown, Chief Operating Officer
John J. Connors, Internal Auditor
Susan A. Shown, Recording Secretary

Ms. Gordon called the meeting to order at 1:05 p.m. and cited the purpose of the meeting to review and discuss the proposed Audit Plan for the period April 3, 2006, through June 30, 2007.

Mr. Connors explained that the proposed Audit Plan is based on the Internal Control Risk Assessment conducted by Clifton Gunderson, LLP, which was reported to the Board on June 9, 2005, and their management letter presented to the Board in September 2005, which included recommendations for improvement.

Audit components would include:

Audit of one-third of schools (20 schools, 5 days for each = 700; 4 schools, 8 days* for each = 224)	924 hours
Evaluation of Internal Controls over payroll	42 hours
Audit of information technology policies and compliance requirements	105 hours
Audit of food service policies and compliance requirements	210 hours
Understanding of Accounting System and Internal Controls	140 hours
Unallocated audit time (available for special requests)	<u>158 hours</u>
Total hours budgeted	<u>1,579 hours</u>

* Schools with demonstrated problems/weaknesses

Hours are based on Clifton Gunderson projections; however, experience may identify need for adjustments.

Approved – April 6, 2006

Mr. Brown and Mr. Connors provided more detail of each component of the audit and the risks identified by Clifton Gunderson and responded to specific questions from Ms. Gordon and Mrs. Mikulis.

Action: Following the discussion, Mrs. Mikulis moved to forward the Audit Plan, as presented, to the Board with a recommendation to approve the plan. Ms. Gordon seconded the motion, and the motion passed (2/0).

Ms. Gordon and Mrs. Mikulis encouraged Mr. Connors to contact them at any time if questions arise. Ms. Gordon noted that the Audit Plan will be presented to the Board on April 6, 2006, for approval, and the Board will provide direction to staff at that time.

Mrs. Mikulis noted that the Audit Committee will meet on a quarterly basis, and the next meeting will be scheduled for late June or early July.

The meeting was adjourned at 1:40 p.m.

Attachments:

Summary of Risks Identified by Clifton Gunderson, LLP
Proposed Audit Plan

Summary of Risks Identified by Clifton Gunderson LLP

Functional Area	High	Moderate	Low	Source	Comments
School Funds	X			Risk Assessment**	Very weak controls-- large amount of cash.
Procurement	X			Risk Assessment	P-Cards, lack of approved vendor list, leases.
Information Technology	X			Risk Assessment	Lack of training, security, compliance with procedures.
Food Service	X			Risk Assessment**	Decentralization from accounting process, segregation of duties, high volume of transactions.
Capital Assets		X		Risk Assessment**	Weak internal controls, volume of fixed assets, not integrated with accounting system.
Construction Accounting		X		Risk Assessment**	Large dollar amounts, transaction volume, complexity, and reconciliation procedures.
Cash and Cash Equivalents		X		Risk Assessment	Lack of consistent compliance with internal controls, physical security of undeposited cash receipts, inherent risks of handling cash.
Financial Reporting Process		X		Risk Assessment	Lack of segregation of duties for initiating/reviewing journal entries and concern over the approval process.
Payroll		X		Risk Assessment	Majority of HCPSS expenditures are payroll related. Changes to employee records not always timely, and payroll check security at schools.
Investments			X	Risk Assessment	Nothing jumps out that heightens risk. Transactions are relatively simple, adequate policies/procedures exist, minimal or no financial impact.
Pupil Transportation			X	Risk Assessment	
Inventory & Warehousing			X	Risk Assessment	
Accounts Receivable (Non-const.)			X	Risk Assessment	
Income from Community Service Office & Out-of-County Tuition			X	Risk Assessment	
**Item also mentioned in June 9, 2005, management letter					

Source: Clifton Gunderson LLP performed a risk assessment and issued a report, dated May 16, 2005, to HCPSS, which was presented to the BOE on June 9, 2005. In addition, Clifton Gunderson's Management Letter, dated September 23, 2005, contained certain comments and recommendations for improvement.

Scope: Reviewed documents prepared by Clifton Gunderson LLP that discuss risks and/or identify areas for improvement. Considered the above areas for inclusion in HCPSS's first Internal Audit Plan that will cover the period April 7, 2006, through June 30, 2007.

PROPOSED AUDIT PLAN for HCPSS – 2006/2007

I.D. #	TITLE	AUDITOR	AUDITEE	REF.DOC ¹	PRINCIPAL OBJECTIVE ²	EST. STAFF HOURS REQUIRED	REMARKS
	Internal audit of certain school fiscal operations.	Connors	An elementary, middle, high, and other school will be audited in this round. "Well run" schools will be looked at for best practices.	CG LLP Risk Assessment and BOE Policies & HCPSS Guidelines.	To determine whether School Activity Funds are being administered in accordance with established policies and guidelines and are properly accounted for. To test controls for purchasing, IT resources, and funds collected under Food & Nutrition Services.	140	4*5*7
	Internal audit of certain school fiscal operations.	Connors	An elementary, middle, high, and other school will be audited in this round. "Schools with identified issues or weaknesses" will be selected for audit.	CG LLP Risk Assessment and BOE Policies & HCPSS Guidelines.	To determine whether School Activity Funds are being administered in accordance with established policies and guidelines and are properly accounted for. To test controls for purchasing, IT resources, and funds collected under Food & Nutrition Services.	224	4*8*7
	Internal audit of certain school fiscal operations.	Connors	Remaining 16 schools (10-E; 4-M; 1-H; 1-O) will be audited.	CG LLP Risk Assessment and BOE Policies & HCPSS Guidelines.	To determine whether School Activity Funds are being administered in accordance with established policies and guidelines and are properly accounted for. To test controls for purchasing, IT resources, and funds collected under Food & Nutrition Services.	560	16*5*7
	Tests of controls over payroll.	Connors	HCPSS Finance.	CG LLP Risk Assessment and BOE Policies & HCPSS Guidelines.	Determine whether sufficient controls are in place to ensure that employee information is correct.	42	
	Internal audit of food service policies and compliance requirements	Connors	HCPSS Office of Food & Nutrition Services.	CG LLP Risk Assessment and BOE Policies & HCPSS Guidelines.	Determine whether sufficient controls are in place to ensure that prepayment program is operating as intended and that any cash collected is adequately safeguarded and accurately reported.	210	

	Audit of IT policies and compliance procedures.	Connors	HCPSS Information & Technology Office.	CG LLP Risk Assessment and BOE Policies & HCPSS Guidelines.	Certain aspects of this audit will be determined at the individual schools that will be audited (e.g. training, back-up procedures, inventory controls). At the CO the audit will focus on security, controls, and school oversight.	105	
	Understanding accounting system and internal controls.	Connors	HCPSS Finance.	CG LLP Risk Assessment and BOE Policies & HCPSS Guidelines.	Obtain an understanding of the HCPSS accounting system and related internal controls.	140	
<p>¹ The references in this column both identify the source of a requirement for an audit, and where applicable the audit criteria to be applied. Generally Accepted Government Auditing Standards (GAGAS) will apply to all audits.</p> <p>² Principal objectives may be modified as a result of preliminary review.</p>							