

AUDITS, CORRECTIVE ACTION & RISK

Information Packet

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Debbie Davis, CPA

Chief Audit Executive

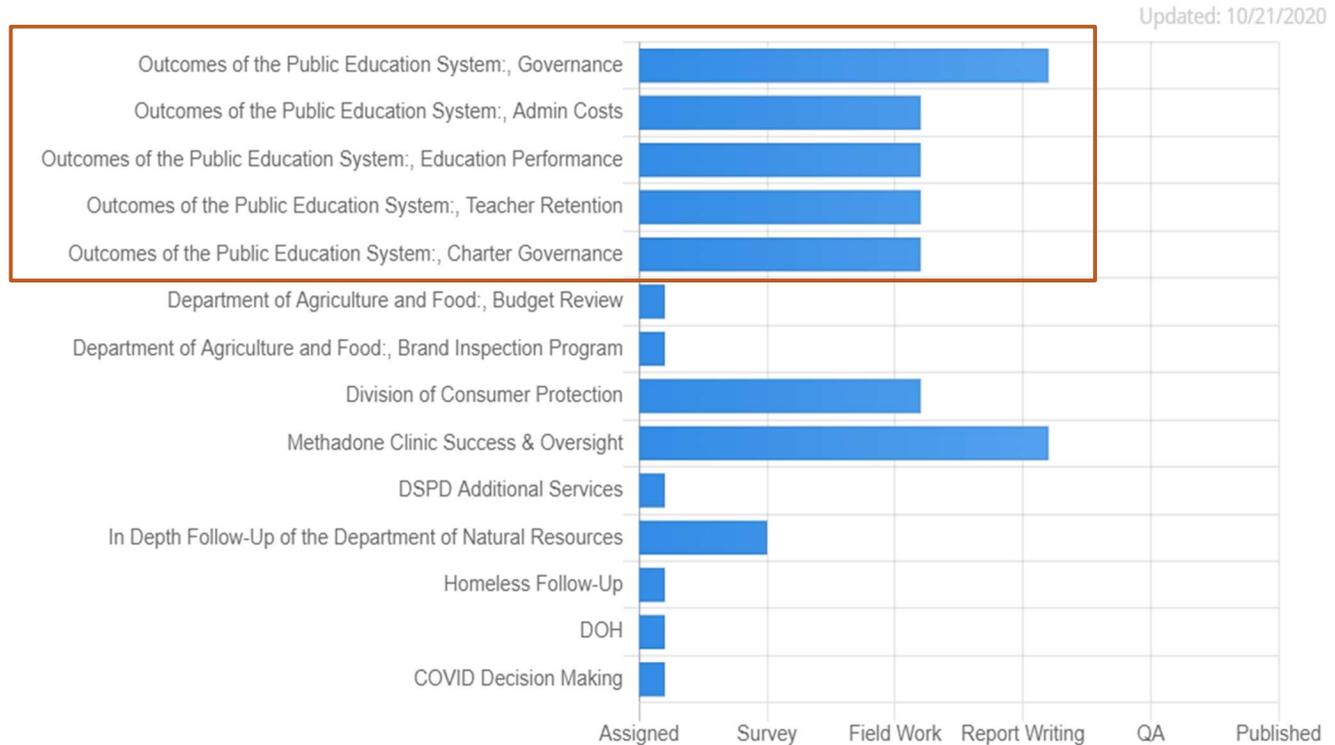
Utah State Board of Education

AUDITS

Office of the Legislative Auditor General (OLAG)

Public Education Outcomes Audits In-Process

Audits include (<https://olag.utah.gov/olag-web/>):



1. Governance – anticipated release December 2020
 - a. Governance of the public education system
 - b. Governance of the USBE, the agency
 - c. Consideration of structure, processes, culture, etc.
2. Charter Governance – anticipated release March/April 2021
3. Administrative Costs
4. Teacher Retention
5. Education Performance

All of these audits are being conducted at the state level, and to some extent, the local level.

Office of the State Auditor (OSA)

Single Audit

“[Office of Management and Budget] has stated that an addendum to the [Compliance] Supplement will be released in the Fall of 2020 to address certain of the new federal programs established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as several existing programs impacted by COVID-19.” <https://www.aicpa.org/interestareas/governmentalauditquality/resources/singleaudit/2020-omb-compliance-supplement.html>

What does this mean? Completion of the Single Audit may be later than usual. For example, at the state level, the Single Audit is usually completed by November/December; however, for SFY2020 it may not be completed until March 2021.

The OSA completes the Single Audit for the state of Utah, which includes the Utah State Board of Education. The programs the OSA are auditing for SFY2020 include: CNP, CTE, and IDEA. Generally, the state Single Audit is done at the state level; however, this year the OSA completed audit work at the LEA level as well. We are not aware of how the OSA plans to report on the testwork done at the LEA level.

Cybersecurity

Earlier this year, the OSA finished a review of data security at **all** school districts; charter schools were not reviewed due to a lack of resources. USBE Internal Audit met with the OSA regarding the results of the audit. A formal report was not written regarding this review; however, the OSA provided feedback and/or recommendations based on the results of the scans run and the questionnaires completed, directly to each school district reviewed.

USBE Internal Audit

APA's Use of State Special Education Funds Audit

This audit was approved as part of a Settlement Agreement between the USBE and APA. While specific to one LEA, we recommend you review the report for similar risks that may exist at your LEAs. We recommend, in particular, that you review the Causes of the concerns identified.

Anticipated Release: November 5, 2020 Board Meeting

Internal Controls Audit

This audit was to consider the internal controls in place at the USBE and LEAs to ensure compliance with laws and regulations; and mitigate risk. The internal control systems at the USBE and at a sample of 16 LEAs (districts and charters) were reviewed; LEA results related to the internal control system are presented in aggregate. The focus of the audit is the internal control system (as outlined by Standards for Internal Control in the Federal Government and the COSO Internal Control Framework); however, four compliance areas were reviewed in context of the control system and compliance data will also be included.

The five components of an internal control system are: Control Environment, Risk Assessment, Control Activities, Information and Communication, Monitoring

“The five components **apply to staff at all organizational levels** and to all categories of objectives.” ~ Greenbook ([GAO-14-704G](#))

While LEA level information is aggregated, we recommend you review the report for similar risks that may exist at your LEA. We recommend, in particular, that you review the Causes of the concerns identified.

Anticipated Release: December 3, 2020 Board Meeting

PROSTART

Audit to consider risks related to the PROSTART program identified in prior audits (OSA, OLAG) and by USBE staff.

Anticipated Release: February-March 2021

Other Board - Approved Audits (in priority order)

1. Data Reliability
2. Subrecipient Monitoring Procedures (state level, federal programs)
3. Education Service Providers

The Board is considering a revision of the priority order in the November Board Meeting. These audits will be started as staff and resources are available.

CORRECTIVE ACTION

Internal Audit’s perspective is that corrective action is the purview of administration, with the Board holding administrators accountable for the action that is taken or not taken – including consideration of the resulting impact on risk. At the USBE, Internal Audit collaborates with the USBE’s administration and facilitates corrective action tracking, which is reported to the Audit Committee monthly.

RISK

Internal Control System

5 Internal Control System Components

1. Control Environment
- 2. Risk Assessment**
3. Control Activities
4. Information and Communication
5. Monitoring

Risk should be considered in the context of the Internal Control System; this helps ensure that objectives will be achieved and that resulting control activities, information and communication, and monitoring will be focused (i.e., resources will be used for what is necessary).

Risk Resource: COSO Enterprise Risk Management (see <https://www.coso.org/Documents/2017-COSO-ERM-Integrating-with-Strategy-and-Performance-Executive-Summary.pdf>)

R277-113: This rule was revised earlier in August 2020 to provide additional clarity, greater focus on internal control systems, and additional requirements to enhance governance and oversight. We recommend you read it and review it with your LEA Board.

Identified Risks – from External and Internal Audits

- Governance (culture)
- Performance Outcomes
- Admin Costs
- Use of Restricted Funds
 - In procurement of goods and services
 - In ratios used for financing (i.e., bonding)
- Internal Control Systems
- Data/Cybersecurity
- Education Service Providers
- Compliance with Regulations (see additional note below)

Also consider other risks from audits specific to your LEA.

Up-to-date Regulations

Board rules (Utah Admin Code) are updated frequently. Because the website transition (i.e., from rules.utah.gov to adminrules.utah.gov) with Utah Admin Code is not complete, we have found the best source is on the USBE website, as follows:

USBE Administrative Rules - <https://schools.utah.gov/administrativerules>

1. Board Rule Status - <https://schools.utah.gov/administrativerules/boardrulestatus>
2. Board Rule Records - <https://schools.utah.gov/administrativerules/records>

Several rules and laws have been waived this year. Does that mean the USBE and LEAs can be any less vigilant in our work? Please consider that interruptions to control activities and routines – including compliance with regulations – generally increases risk. As an example, see the Identified Risks – Public Education Hotline section that indicates a 48% increase from the prior year in concerns received.

Identified Risks – from the School Fees Team

Since July 1, 2020, the School Fees team has fielded over 320 calls and emails regarding school fees and fee waivers; approximately 80% of the calls and emails have been from LEA administrators and school level personnel.

Risks at the School Level –

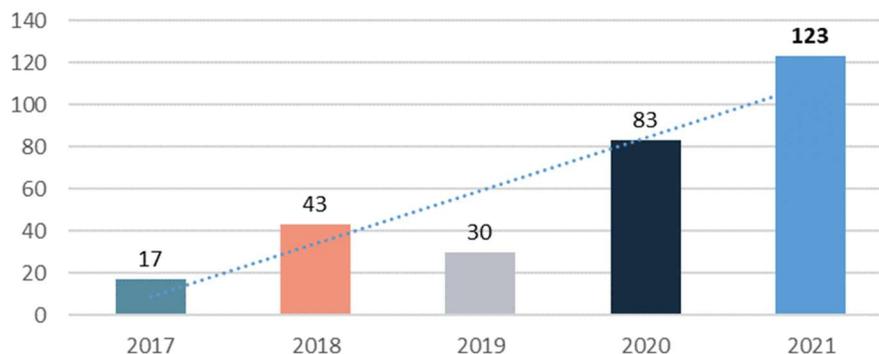
1. Some school administrators are not aware they need to have a designated school fee administrator to review fee waivers
2. Some schools are not providing correct information to parents.
 - a. Some schools are not indicating who parents should speak with regarding school fees and concerns about school fees.
 - b. Some schools are not indicating where fee waiver forms should be submitted, they just link to the USBE School Fees website. As a result, some parents are sending fee waiver forms directly to the USBE.

The above underscores the need to have school level administration (e.g., principals) participate in training about School Fees and to complete the Certificate of Compliance. This helps ensure school administration is aware of, and accountable to, requirements in law; requirements established to ensure equity and equality of opportunity for students, and transparency and consistency for parents and guardians.

Identified Risks – Public Education Hotline

During the first quarter of state fiscal year (SFY) 2021, 123 concerns were received on the Public Education Hotline; this represents a 48% increase over the number of concerns received in SFY2020. For the first quarter of SFY2021, Internal Audit's referral rate (i.e., referring hotlines to LEAs, USBE sections, or other entities) was approximately 89%.

**Total # of Concerns Received on the Hotline
During Q1 by State Fiscal Year**



The first two months of the first quarter, many concerns were about administrative actions and student supports and services, including:

- school re-openings,
- enrollment,
- wearing/not wearing masks,
- student absences,
- safety measures,
- accommodations for students with 504 plans or IEPs, and
- accommodations for students with high risk health circumstances.

The last month of the quarter, we noted a new trend related to concerns with discussions or content on race in curriculum, activities, and trainings. Please be aware of both state (e.g., [R277-217-6\(23\)](#)) and federal regulations (e.g., [Combating Race and Sex Stereotyping](#) (Executive Order - inclusive of recipients of federal grant awards) in this area as you consider risk.

Addressing Risk

Can risk be addressed by just the LEA Board or administration?

Internal Audit's perspective is that to effectively address risk – in the context of the internal control system – “staff at all organizational levels ([GAO-14-704G](#))” will need to be involved in the identification, assessment, and action related to risks. Recall the components in an internal control system that follow Risk Assessment.

1. Control Environment
2. Risk Assessment
3. **Control Activities**
4. **Information and Communication**
5. **Monitoring**