



Approved by the Board of Trustees On
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2016-2017 Internal Audit Plan

Respectfully submitted:

A blue ink signature of Mayra G. Martinez, written over a horizontal line.

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4/21/2016

Date

Approved as submitted:

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Dori Fenenbock
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Audit Plan Development Process (AR01)

Introduction and Purpose

According to the International Standards for the Professional Practice of Internal Auditing (Standards) and the Internal Audit Charter (CFC local), the Chief Internal Auditor "...must establish a risk-based audit plan to determine the priorities of the internal audit activity..." The audit plan establishes the framework for the activity of the El Paso Independent School District's (EPISD) Internal Audit Department.

Internal Audit Role

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Mission Statement and Scope of Work

The mission statement of the Internal Audit Department is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The proposed audit plan covers the period of July 1, 2016 to June 30, 2017. The specific objective of each audit project will be determined by the detailed assessment of relative risks for the project at the time the project is initiated.

Responsibility

The Chief Internal Auditor is responsible for developing a risk based audit plan and submitting it to the Board for review and approval. The audit plan should be dynamic and flexible to ensure Internal Audit can be responsive to changes from unforeseen issues and events during the year. In conformance with Standard 2010 Planning, the Chief Internal Auditor will "...review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls." Any significant changes required of the plan will be presented to the Board for approval.

In accordance with the Internal Audit Charter (CFC Exhibit), the Chief Internal Auditor will provide monthly reports on the internal audit activities and related matters.

The Internal Audit Department staff will remain objective and exercise due professional care in performing their work. Internal Audit staff will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgment.

Risk Assessment

The Institute of Internal Auditors' (IIA) Standard 2010.A1 requires the audit plan be based on a documented risk assessment, which is recognized as the preferred process for identifying, measuring, and prioritizing risks based on their likelihood of occurrence and the magnitude of impact. The risk assessment serves as a tool used by Internal Audit to develop the annual audit

plan since it will help us identify and prioritize the potential areas of high risk, so that focus is placed on the auditable activities of greatest significance.

The risk assessment process begins with identifying the “audit universe,” which is an inventory of all the departments, programs, functions, and processes that can be audited (auditable units). We identify the audit universe based on:

- A review of the District’s organizational charts,
- Information provided by professional organizations, such as the IIA, on emerging risks and trends,
- Internal Audit staff’s understanding of the current risks impacting school districts, and
- Discussions with responsible management/leadership personnel.

Once the audit universe is established, we conduct a risk assessment in which each auditable unit is assigned a numerical score, using a scale of 1 to 3, for the 10 risk factors listed below:

1. Internal controls
2. Financial impact
3. Criticality of the unit
4. Public or political sensitivity
5. Change in management or structure
6. Changes in the processes or priorities
7. Regulatory compliance
8. Complexity of monitoring activities
9. Audit history, and
10. Level of information security

The likelihood and impact of occurrence were measured based on the scores for the risk factors. After we compiled and analyzed the results, auditable units were categorized as high, medium, or low risk for likelihood and impact based on the risk scores. The results of the risk assessment (listed from high to low risk) are included as **AR03**.

Developing the Audit Plan

In developing the annual risk-based audit plan, we identified high-risk auditable units through the risk assessment. We also considered auditable units/activities for which (i) risks were discovered during the performance of our audits or (ii) identified by management as an area of concern. Consistent with our audit planning process, audit approach, and industry practices, we also met with District leadership to identify potential audit plan projects.

The Chief Internal Auditor contacted the Board of Trustees to obtain their input on District areas of concern they have and on the potential audit projects.

Because we are confronted with virtually unlimited potential projects with limited resources, it is important that we determine the staff (chargeable) hours available to carry out the plan. The calculation for the weekday hours available is summarized in Table AR01-1 below.

Table AR01-1 – Weekday Hours Calculation

A. Weekdays available in 2016-2017	261
B. Number of hours per day	8.00
C. Auditor Full-time Equivalent (FTE)	9.00
Weekday Hours Available (A x B x C)	18,792

We arrived at the audit plan chargeable hours after deducting hours associated with holidays, estimated leave, professional development, and administrative tasks (see summary in Table AR01-2).

Table AR01-2 – Audit Plan Chargeable Hours

Category	Hours	Percentage
Weekday hours available	18,792	100%
Less:		
Holiday hours	2,664	14%
Leave hours	936	5%
Professional development	360	2%
Administrative duties	2,874	15%
Equals: Audit Plan Chargeable Hours Available	11,958	64%

Audit Plan Activities

The activities included in the audit plan were those identified as high-risk, identified by Internal Audit staff as high risk during the performance of our work, identified by District leadership and the Board of Trustees as areas of interest/concern. In addition, audit hours are also dedicated to follow-up reviews, carry-forward projects, activities required or recommended as best practices by the IIA Standards, and administrative tasks related to the day-to-day operations of the department.

The audit plan, with proposed activities and selection criteria, is included as **AR02**. The projects are listed in alphabetical order and are followed by other services to be provided.

2016-2017 Internal Audit Plan – Proposed (AR02)

Assurance and Consulting Activities

1.	Activity Fund Audits	
	Selection criteria:	Administration identified as an area of concern Requirements in TEA's Financial Accountability System Resource Guide
2.	Attendance Audit (Elementary Campuses)	
	Selection criteria:	Identified as high risk for impact and medium for likelihood Internal Audit staff identified as an area of concern
3.	Campus Accounting System Conversion Consulting Services	
	Selection criteria:	To serve as an available resource on internal controls and risk-related issues
4.	Campus Payroll Audits	
	Selection criteria:	Administration and Internal Audit staff identified as an area of concern To follow-up on completion of the Corrective Action Plan as a result of the 2015-2016 fiscal year audit
5.	Course Grade and Grade Level Changes Audit	
	Selection criteria:	Identified as a Corrective Action Plan activity in response to a USDE audit
6.	Course Number Coding and Reporting Audit	
	Selection criteria:	Identified as a high risk area during the Risk Assessment Administration and Internal Audit staff identified as an area of concern
7.	District Data Center Audit	
	Selection criteria:	Identified by Internal Audit as an area of risk/interest
8.	Fixed/Controlled Assets Inventory Audits	
	Selection criteria:	Administration and Internal Audit staff identified as an area of concern
9.	Procurement Follow-up Audit	
	Selection criteria:	Board identified as an area of high risk
10.	TEAMS User Access Management/Provisioning Follow-up	
	Selection criteria:	Follow-up on prior audit findings and corrective action plan Identified by Internal Audit as an area of concern
11.	Risk Assessment	
	Selection criteria:	Used to establish the risk-based audit plan required by the IIA standards
12.	Special Education IEP/ARD Compliance Audit	
	Selection criteria:	Identified as high risk for impact and medium for likelihood
13.	Student Enrollment Process Audit	
	Selection criteria:	Identified as a high risk area during the Risk Assessment
14.	Vendor Master File Audit	
	Selection criteria:	Administration identified as an area of high risk

15.	Warehouse Inventory Audit (Roll-Forward)
	Selection criteria: Administration identified as an area of concern

Other Activities and Duties

16.	Corrective Action Plans Follow-Up
	Selection criteria: Periodically, administrative staff will be requested to communicate in writing the status of implementation of corrective actions (in response to audit reports). Internal audit reports the status of past due corrective action plans to the Board on a monthly basis.

17.	Fraud, Waste, and Abuse Hotline
	Selection criteria: In accordance with professional standards and related practice guides, Internal Audit should maintain an active role that relates to both promoting and assessing ethics throughout the District. This role may include hosting the District's Fraud, Waste, and Abuse Hotline and conducting fraud investigations (also refer to Reserve for Contingency Hours). Hours are set aside for monitoring incident reports received through the Fraud, Waste, and Abuse Hotline. Monitoring includes reviewing, distributing, and tracking the status of concerns reported through the hotline and forwarded to data/process owners for follow-up. Monthly status reports are provided to the Board.

18.	General Consulting Services
	Selection criteria: Consulting services may include participating in various team meetings, workgroups, or committees within the District to serve in an advisory capacity to provide management with technical assistance in a variety of areas, and serve as an available resource on risk-related issues. A single consulting project that is expected to exceed eight hours will be evaluated to determine whether it can be included in the contingency category or whether it needs to be submitted to the Board for review and approval.

19.	Reserve for Contingency
	Selection criteria: Audit plans are developed based on priorities and estimations of time. Contingency hours are reserved to ensure the risk-based plan is flexible and responsive to change from unforeseen issues and events during the year. The hours are reserved for unplanned projects, as needed, to include: <ol style="list-style-type: none"> 1. Facilitating external audits conducted by external auditors, TEA, USDE, or other agencies, 2. Coordinating requests for information/documentation from external or law enforcement agencies, 3. Follow-up on allegations of fraud or significant non-compliance, and 4. Follow-up on concerns of high risk or internal controls deficiencies.

Administrative Duties and Professional Development

20.	Administrative Duties	
	Strategic-level:	Activities such as developing the annual audit plan, reviewing staff competency needs, planning for staff development, and hiring.
	Operational-level:	<p>Activities involving designing structures and processes aimed at achieving Internal Audit activity objectives and overall goals of efficiency and effectiveness. This includes hours allocated to:</p> <ul style="list-style-type: none"> • Assigning auditors to specific projects and allocating/tracking time for engagement activities, • District-mandated training, • Tasks related to leading department to include communication within the District and with external auditors/entities, • Interviewing and hiring new staff members, • Staff appraisals, • Ensuring Internal Audit staff follow policies and procedures, • Monitoring the department's budget, and • Processing payroll and purchase orders
21.	Continuing Professional Development	
		<p>Staff will participate in various instructor-led or on-line courses in subjects directly related to auditing, the Institute of Internal Auditors International Professional Practices Framework, or specific/unique local education agency requirements in order to enhance auditors' knowledge, skill, and other competencies, and meet continuing professional education requirements.</p> <p>In an effort to keep abreast of changes in the internal audit profession and best practices in auditing, fraud, school-district operations, and information security management issues, Internal Audit actively participates in professional organizations. We have set aside hours for staff to participate in professional organizations including the local chapters of the Institute of Internal Auditors, Association of Certified Fraud Examiners, and Texas Association of School Business Officials.</p>

Risk Assessment (AR03)

DEPARTMENT	AUDITABLE UNITS	RISK RANK (Likelihood/ Impact)
C & I & Accountability	Limited English Proficient, Bilingual, English as a Second Language, and Dual Language Programs	High/High
Student Retention And Truancy Prevention Program	Credit Recovery for Attendance Process	High/High
C & I & Accountability	Awarding and Posting of Transfer Credits	High/High
C & I & Accountability	Student Transcripts	High/High
Area Superintendents	Graduation Requirements	High/High
Student and Parent Services	Student Enrollment Process	High/High
C & I & Accountability	Career and Technical Education (CTE) Program	High/High
C & I & Accountability and Area Superintendent	Course Number Coding and Reporting	High/High
C & I & Accountability	Gifted and Talented Program	High/Medium
Financial Services	Miscellaneous Pay, Function Pay Authorization and Payment Process	High/Medium
Budget	Parent Organization Guidelines	High/Medium
Athletics	Athletic Equipment Inventory Process	High/Medium
School Leadership Operations	Campus Improvement Plans	High/Medium
School Leadership Operations	Comprehensive Needs Assessment Process	High/Medium
Student and Parent Services	Attendance Procedures and Documentation	Medium/High
Budget	Budgeting Process	Medium/High
External Funding	Title I, Part A Program	Medium/High
Financial Services	TEAMS Timecard system/process	Medium/High
C & I & Accountability	Student Assessment	Medium/High
Technology Services	Network Access/Security	Medium/High
Budget	District Travel Procedures	Medium/High
Financial Services	Purchase/ Charge Card Program	Medium/High
External Funding	State Compensatory Education Program	Medium/High
Procurement Services	Procurement Process	Medium/High
Special Education	Individualized Education Plan and Administrative Review and Dismissal	Medium/High
Financial Services	Payroll Process	Medium/High
Custodial Services	Custodial Services Operations	Medium/Medium
Athletics	Athletic Funds Cash/ Receipts Handling	Medium/Medium
Financial Services	General Fund Accounting	Medium/Medium
C & I & Accountability	Research and Evaluation Services	Medium/Medium
Area Superintendents and Budget Department	Campus and Student Activity Funds	Medium/Medium
Warehouse Services	Controlled Assets Inventory	Medium/Medium

DEPARTMENT	AUDITABLE UNITS	RISK RANK (Likelihood/ Impact)
C & I & Accountability	Fine Arts Program	Medium/Medium
C & I & Accountability	Fine Arts Inventory	Medium/Medium
Financial Services	Special Revenue Fund Accounting	Medium/Medium
Financial Services	Asset Management (over \$5,000)	Medium/Medium
Area Superintendents and Student and Parent Services	Student Course Grade Changes and Grade Level Changes Process	Medium/Medium
External Funding	Time and Effort Reporting	Medium/Medium
Human Resources	Compensation	Medium/Medium
Budget	Campus Accounting	Medium/Medium
Risk Management	Risk Management Department	Medium/Medium
Risk Management	Worker's Compensation Program Administration	Medium/Medium
Technology Services	User Access Management/Provisioning	Medium/Medium
Technology Services	Disaster Recovery and Business Continuity	Medium/Medium
Special Education	Medicaid Reimbursement Services and SHARS Reporting	Medium/Medium
Operations and Facilities	Construction Contracts Compliance	Medium/Medium
Maintenance, Buildings, and Grounds	Maintenance Work Order Process	Medium/Medium
Maintenance, Buildings, and Grounds	Buildings and Grounds Maintenance Operations	Medium/Medium
Special Education	Special Education Funding Controls and Compliance	Medium/Medium
Student and Parent Services	Student Discipline	Medium/Medium
External Funding	Title II, Part A - Teacher/Principal Training and Recruiting Program	Medium/Medium
External Funding	Title III, LEP Program	Medium/Medium
Special Education	Health Services	Medium/Medium
Technology Services	Customer Support/ Help Desk	Medium/Medium
Student and Parent Services	Student Leavers	Medium/Medium
Warehouse Services	Warehouse Inventory	Medium/Medium
Financial Services	Accounts Payable Cycle	Medium/Medium
Food and Nutrition Services	Food Service Operations	Medium/Medium
Academic Support - ROTC	ROTC Program	Medium/Medium
Transportation	Fleet Management	Medium/Medium
Human Resources	Procedures for Hiring, Moving, & Promoting Personnel	Medium/Medium
Warehouse Services	Warehouse Operations	Medium/Medium
Human Resources	Employee Benefits	Medium/Medium
Special Education	Regional Day School For The Deaf Program	Medium/Medium
Transportation	Transportation Auto Shop Operations	Medium/Medium
Operations and Facilities	Building Code Compliance	Medium/Medium
Operations and Facilities	Energy Management	Medium/Medium
Operations and Facilities	Rentals/Facility Use	Medium/Medium

DEPARTMENT	AUDITABLE UNITS	RISK RANK (Likelihood/ Impact)
Warehouse Services	Surplus Sales (this includes the process for acquiring & disposing of salvage materials)	Medium/Medium
Operations and Facilities	Prevailing Wage Rates Enforcement	Medium/Low
C & I & Accountability	Science Resource Center	Medium/Low
Student and Parent Services	Student Cumulative Records	Medium/Low
Transportation	Bus Routing and Scheduling	Medium/Low
Operations and Facilities	Change Orders Process	Medium/Low
Procurement Services	Conflict of Interest Compliance Requirements	Medium/Low
Procurement Services	Purchasing Cycle	Low/Medium
External Funding	Impact Aid Funding	Low/Medium
Print Shop	Print Shop Operations	Low/Medium
Procurement Services	Master Vendor List Maintenance	not rated yet