



Audit Plan

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Fiscal Year 2019–2020



Audit Plan Approach

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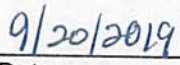

Overview

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the District's operations. The mission of the El Paso Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the District's operations. The mission of the El Paso Independent School District's (EPISD) Internal Audit Department is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The International Standards for the Professional Practice of Internal Auditing (Standards) and the Internal Audit Charter (outlined in Board Policy CFC Local) require the Chief Internal Auditor develop an annual risk-based Audit Plan to determine the priorities of the Internal Audit Department. The Chief Internal Auditor is also responsible for reviewing and adjusting the annual Audit Plan, as necessary, in response to changes in the District's business, risks, operations, programs, systems, and controls. The Board of Trustees must approve any significant changes/revisions required of the plan.

The Chief Internal Auditor will provide quarterly reports to the Board on the Audit Plan and Internal Audit's performance relative to the plan.

Respectfully Submitted By:

 _____ Mayra G. Martinez, CIA, CFE, CGAP, RTSBA Chief Internal Auditor El Paso Independent School District	 _____ Date
Audit Plan revisions approved by the Board of Trustees on October 15, 2019:	
 _____ Bob Geske Board President El Paso Independent School District	 _____ Date

Audit Plan Methodology

The Internal Audit Department has completed its annual risk assessment leading to the development of the Audit Plan for fiscal year 2019-2020. The risk assessment methodology and results are included in the Risk Assessment section and Attachment A.

In developing the Audit Plan, the Chief Internal Auditor obtained input from District executive leadership and the Board of Trustees regarding areas of concern/high risk and discuss the potential Audit Plan projects.

The Audit Plan establishes the framework for the activity of the Internal Audit Department. In accordance with Standard 2010 Planning, the Audit Plan is:

1. Consistent with EPISD's Board goals and strategic priorities,
2. Based on a documented risk assessment (undertaken annually),
3. Dynamic and flexible to ensure Internal Audit can be responsive to changes from unforeseen issues and events during the year.

The Audit Plan also includes hours dedicated to Corrective Action Plan 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 Chief Internal Auditor will review and adjust the plan throughout the fiscal year, as necessary, in response to changes in the District's business, risks, operations, programs, systems, and controls. Any significant changes required of the plan will be presented to the Board for approval. The Chief Internal Auditor will provide the Board quarterly reports on the Internal Audit activities and related matters in accordance with the Internal Audit Charter (CFC Exhibit).

Allocation of Resources

Because we are confronted with virtually unlimited potential projects with limited resources, it is important that we determine the resources (chargeable staff hours and department budget) available to carry out the plan.

The 2019-2020 Audit Plan available budget hours equal 13,392 hours. Available hours were determined based on annual days on duty for the eight (8) full-time equivalent audit professionals (including the Chief Internal Auditor) less the hours lost due to two vacancies in the department. Chargeable hours are those available for planned and unplanned audit engagements. The calculation of available and chargeable audit hours is summarized in Tables 1 and 2 that follow.

Table 1: Available Hours Calculation

A. Days on duty in fiscal year 2019-2020	226
B. Number of hours per day	8
C. Auditor Full-time Equivalent (FTE)	8
D. Hours on duty (A x B x C)	14,464
E. Less: Hours Lost Due to Vacancies	(1,072)
F. Available Budget Hours (D - E)	13,392

Table 2: Audit Plan Chargeable Hours

Category	Hours	Percentage
Available budget hours	13,392	100%
Less:		
Leave hours (13 days - prorated for vacancies)	780	5.8%
Professional development	480	3.6%
Administrative duties (Includes hours for central office move to new building)	3,684	27.5%
Equals: Audit Plan Chargeable Hours Available	8,448	63.0%

With 91% of our department's budget devoted to salary costs and other uncontrollable costs, such as the District's Fraud, Waste, and Abuse Hotline and the copier/scanner annual lease, we carefully manage all discretionary aspects of our budget. Table 3 provides a summary of the department's budgeted resources.

Table 3: Internal Audit Department Budget

91%	Salaries and benefits	695,625
	District Hotline	8,400
	Copier/scanner annual lease	2,600
9%	Part-time interns	19,225
	Training (travel and in-town)	27,657
	Reference and reading materials	1,000
	Equipment and software	17,590
	Department supplies and peripherals	4,430
	Memberships (IIA, ISACA, TASBO, ALGA, and ACFE)	3,415
	In-city travel reimbursement	600
Total budget		\$ 780,542



2019–2020 Audit Plan

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Audit Plan Engagements and Activities

The Audit Plan activities, with broad objectives and selection criteria (risk rating), are included in this section. The Audit Plan services/activities are listed in order of priority within the following sections:

- Assurance (Audit), Consulting, and Follow-up Engagements
- Corrective Action Follow-up Services
- Administrative and Other Activities Recommended or Required by the Standards

Assurance (Audit) and Consulting Engagements

Engagements		Broad Engagement Objective	Risk Rating (Impact/Likelihood)
1	2016 Bond Program Audits	The overall objectives of 2016 Bond program-related audits will be to: <ul style="list-style-type: none">• Review construction costs allocated to the 2016 Bond program to determine allowability;• Review construction activity, with a focus on high-risk aspects;• Review controls to ensure they are developed and maintained; and• Provide value-added recommendations that mitigate risks, increase compliance, and improve the future management of construction projects.	High/High
2	Accounting Department (Journal Entries) Audit	Review and assess controls for journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments.	High/Medium
3	Career and Technical Education (CTE) Audit	Review and assess controls and compliance with District and state requirements to include CTE course reporting requirements.	High/Medium
4	Contracted Services Audit	Review and assess controls and compliance with state and local requirements related to contracted services. We would also determine whether there is evidence that services were received in exchange for the funds expended, and there was an evaluation of the effectiveness of the services rendered.	Medium/High
5	Dual Credit Program Audit	Review and assess controls and compliance with requirements related to dual credit courses. If non-compliance is identified, determine root cause and make recommendations to improve internal controls.	Medium/High
6	Overtime Payments Investigation	To determine the accuracy of overtime payments and the strength of the related controls.	High/Medium
7	Cybersecurity Compliance Engagement	To make recommendations to provide reasonable assurance the District's cybersecurity program is controlled, monitored, and complies with state requirements under Senate Bill 820 and House Bill 3834.	High/High
8	Vendor Master File Audit	Verify that adequate controls exist and are operating effectively over the setup and maintenance of vendors.	High/Medium

Follow-up Engagements

Engagements		Broad Engagement Objective	Risk Rating (Impact/Likelihood)
9	Attendance for Elementary Schools CAP Follow-up	To determine whether the Corrective Action Plan activities for the Attendance for Elementary Schools Audit were effectively implemented.	High/Medium
10	Bond Program Management Advisory Services (RFQ 17-069) CAP Follow-up	To determine whether the Corrective Action Plan activities for the Bond Program Management Advisory Services Audit were effectively implemented.	High/High
11	Bond Program Management CAP Follow-up	To determine whether the Corrective Action Plan activities for the Bond Program Management Audit were effectively implemented.	High/High
12	College Readiness Program CAP Follow-up	To determine whether the Corrective Action Plan activities for the College Readiness Program Audit were effectively implemented.	Medium/High
13	Course Grade Changes Investigation CAP Follow-up	To determine whether the Corrective Action Plan activities for the Allegations of Course Grade Changes for Athletics Eligibility Reasons Investigation were effectively implemented.	Medium/High
14	Data Center Consulting CAP Follow-up	To determine whether the Corrective Action Plan activities for the Data Center Consulting recommendations were effectively implemented.	High/Medium
15	Individualized Education Program and SHARS CAP Follow-up	To determine whether the Corrective Action Plan activities for the Individualized Education Program and SHARS Audit were effectively implemented.	High/Medium
16	Internal Controls for Athletic Officials Payments CAP Follow-up	To determine whether the Corrective Action Plan activities for the Internal Controls for Athletic Officials Payments Recommendations were effectively implemented.	Medium/High
17	Purchasing Card CAP Follow-up Review	To determine whether the Corrective Action Plan activities for the Purchasing Card Audit were effectively implemented.	Medium/Medium
18	Special Education Students Participation in Bilingual/ESL Programs CAP Follow-up	To determine whether the Corrective Action Plan activities for the Special Education Students Participation in Bilingual/ESL Programs Audit were effectively implemented.	High/Medium
19	Student Discipline Data CAP Follow-up	To determine whether the Corrective Action Plan activities for the Student Discipline Data Audit were effectively implemented.	Medium/High
20	Student Success Initiative CAP Follow-up	To determine whether the Corrective Action Plan activities for the Student Success Initiative Audit were effectively implemented.	Medium/High

Administrative and Other Activities Recommended or Required by Standards

Activities	Activity Objective
21 Risk Assessment	A Risk Assessment is a process for identifying, measuring, and prioritizing risks based on their likelihood of occurrence and the magnitude of impact. The Risk Assessment serves as the primary tool used by Internal Audit to develop the annual Audit Plan since it will help us identify and prioritize the areas of high risk.
22 Administrative Duties	<p>Strategic activities: Developing the annual audit plan, identifying department needs, reviewing staff competency, and planning for staff development.</p> <p>Operational 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"> • Reporting to the Board of Trustees, • Attending regular and special Board meetings, • Assigning auditors to specific projects and allocating/tracking time for Audit Plan activities, • District-mandated training, • 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
23 Contingency and Consulting Hours	<p>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:</p> <ol style="list-style-type: none"> Consulting services that 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. Coordinating requests for information/documentation from external or law enforcement agencies, Follow-up on allegations of fraud or significant non-compliance, and Follow-up on concerns of high risk or internal controls deficiencies.
24 Fraud, Waste, and Abuse Hotline Reports Monitoring and Follow-up	<p>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 Contingency Hours).</p> <p>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. Quarterly status reports are provided to the Board.</p>
25 Professional Development	<p>Standard 1230 states, "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development." Staff will participate in various instructor-led or on-line courses in subjects directly related to auditing, the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), 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>We have set aside hours for staff to participate in professional organizations, including the local chapters of the IIA, ACFE, and TASBO, in an effort to stay up to date with changes in the internal audit profession and best practices in auditing, fraud, school-district operations, and information security management issues.</p>



Risk Assessment

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Overview

Risk is defined as “The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.” A risk assessment is recognized as the preferred process for identifying, measuring, and prioritizing risks based on their likelihood of occurrence and the magnitude of impact.

A 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 key areas of high risk, so that focus is placed on the auditable activities of greatest significance. As required by the IIA Standards, input from District Leadership and the Board of Trustees is considered in this process.

Audit Universe

The first step in the risk assessment is to define the “audit universe,” which includes the key auditable units in the District. We identify the audit universe based on a review of the Board goals, the District’s strategic plan, organizational charts, annual budgets, emerging risks and trends, and Internal Audit staff’s understanding of the current risks impacting school districts. Key auditable units included in the risk assessment are those that:

1. Contribute to the District’s goals,
2. Are sufficiently large to noticeably impact the District, and
3. Are sufficiently important to justify the cost of a control.

Methodology

The level of risk varies from department to department, program to program, and unit to unit. The definition of risk for an organization can be broken down into four elements:

1. Strategic Risks: Relates to doing the wrong things.
2. Operating Risks: Relates to doing the right things the wrong way.
3. Financial Risks: Relates to losing financial resources or incurring unacceptable costs.
4. Compliance Risks: Relates to non-compliance with District policies/regulations or state/federal laws.

Once the audit universe is established, Internal Audit measures the risk based on likelihood and impact risk factors. The risk factors are reviewed on an annual basis to ensure they are relevant and effective in helping determine the strategic, operating, financial, and compliance risks of the District.

We use eight likelihood/impact risk factors and a three-point risk factor scale with one representing the lowest level of risk and three representing the highest. The likelihood/impact risk factors are defined in Table 4: Likelihood and Impact Risk Factors.

To help us determine the risk scores, we gather information relevant to the risk factors through questionnaires completed by the management and leadership from the auditable units. However, the risk scoring is performed by Internal Audit. Once all auditable units have been scored, they are ranked from highest to lowest based on their risk rating (likelihood and impact). The results of the 2018-2019 Risk Assessment are included in Exhibit A.

Table 4: Impact and Likelihood Risk Factors









IMPACT	1  Criticality of the Unit	This factor measures the importance of the unit to accomplish the mission of the District. This considers the impact if the unit is unable to provide its service within a required time frame and/or at the expected level.
	2  Financial Impact	This considers the overall dollar amount flowing through, committed to, or generated by the unit/process (e.g. expenditures, grant amount, revenues collected/earned). This evaluates the impact of inappropriate activity from a financial perspective.
	3  Regulatory Compliance	The complexity, volume, and clarity of regulations/compliance requirements from external requirements impacts the District's ability to comply, and therefore influences risk. Risks relate to the inability to comply; penalties, fines or litigation; loss of funding sources; and regulatory restrictions.
	4  Public Sensitivity	This measures the sensitivity of the unit to public exposure of critical internal issues. This considers the potential effect to the District overall as the result of negative information.
LIKELIHOOD	5  Control Environment	Assessment of control environment is based on factors such as the adequacy of the existing control structure, expertise of management, historical problems, conditions found during recent reviews/interactions, and the overall effectiveness and efficiency of operations.
	6  Changes in the Unit	Changes in management personnel, organizational and operational structure, and the operational systems can influence risk. In some cases, reorganization of responsibilities and activities can result in significant changes that compromise the internal control environment.
	7  Complexity of Monitoring Activities	This factor considers the locations/number of locations where activities and the monitoring of these activities take place.
	8  Audit History	This considers whether there has been an audit of the unit, the last time an audit was performed, and the results of such audit.



Exhibit A: Risk Assessment

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RISK FACTORS

Audit Universe	Auditable Unit (Key, process, activity, program, function, or department)	Criticality of Unit	Financial Impact	Regulatory Compliance	Public Sensitivity	Controls and Control Environment	Changes in Unit	Complexity of Monitoring Activities	Audit History	Scores		Risk Rank (Impact/Likelihood)
										Impact	Likelihood	
932	Facilities and Construction	3	3	2	3	2	3	2	3	11	10	High/High
911	Technology Services	3	2	2	3	2	3	2	3	10	10	High/High
822	Special Education and Special Services	3	3	3	2	2	3	2	2	11	9	High/Medium
817	Student and Parent Services	2	3	2	3	2	2	3	2	10	9	High/Medium
714	Office of the Chief of Staff	2	3	3	2	2	2	3	2	10	9	High/Medium
727	Financial Services	2	3	3	2	2	2	2	3	10	9	High/Medium
729	Procurement Services	3	3	2	2	2	2	2	2	10	8	High/Medium
809	21st Century Learning and Well-being	3	3	2	2	2	2	2	2	10	8	High/Medium
801	Curriculum and Instruction	3	1	2	3	3	3	3	3	9	12	Medium/High
729	Procurement Services	2	2	2	3	3	3	3	3	9	12	Medium/High
817	Student and Parent Services	3	1	2	3	3	3	3	2	9	11	Medium/High
801	Curriculum and Instruction	3	1	2	2	3	3	3	2	8	11	Medium/High
801	Curriculum and Instruction	3	1	2	3	2	3	2	3	9	10	Medium/High
832	Athletics	2	2	2	3	3	2	3	2	9	10	Medium/High
817	Student and Parent Services	3	1	2	2	2	3	3	2	8	10	Medium/High
804	School Leadership	3	1	2	2	3	3	3	2	8	10	Medium/High
901	Police Services	2	1	2	2	2	3	2	3	7	10	Medium/High
734	Instructional Materials	2	3	2	2	2	2	2	3	9	9	Medium/Medium
739	Office of Quality Management	2	3	2	2	2	3	2	2	9	9	Medium/Medium
811	Languages and Learning	3	2	2	2	2	2	2	3	9	9	Medium/Medium
800A	Academics	3	2	1	3	2	2	2	3	9	9	Medium/Medium
817	Student and Parent Services	3	1	3	2	2	2	3	2	9	9	Medium/Medium
727	Financial Services	3	3	2	1	2	3	2	2	9	9	Medium/Medium
807	Student and Family Empowerment	2	1	3	3	2	2	3	2	9	9	Medium/Medium
737	Budget and External Fin Mgmt	2	3	2	2	2	2	2	2	9	8	Medium/Medium
817	Student and Parent Services	3	1	2	3	2	2	2	2	9	8	Medium/Medium
737	Budget and External Fin Mgmt	2	3	2	2	2	2	2	2	9	8	Medium/Medium
728	Treasury	2	3	2	2	2	1	1	3	9	7	Medium/Medium
726	Human Resources	2	3	2	2	2	1	1	3	9	7	Medium/Medium
714	Office of the Chief of Staff	2	3	2	2	2	1	2	2	9	7	Medium/Medium
817	Student and Parent Services	2	2	2	2	2	2	2	3	8	9	Medium/Medium
935	Operations Support Services	2	1	2	3	2	2	2	3	8	9	Medium/Medium
714	Office of the Chief of Staff	3	2	1	2	2	2	2	3	8	9	Medium/Medium
912T	Assessment Department	2	1	3	2	2	2	3	2	8	9	Medium/Medium
836	Fund Development and Partner Stewardship	2	2	2	2	2	2	2	3	8	9	Medium/Medium
737	Budget and External Fin Mgmt	2	3	1	2	2	2	2	3	8	9	Medium/Medium
817	Student and Parent Services	2	1	3	2	2	2	2	2	8	8	Medium/Medium
817	Student and Parent Services	2	1	3	2	2	2	2	2	8	8	Medium/Medium
737	Budget and External Fin Mgmt	2	2	3	1	2	2	2	2	8	8	Medium/Medium
727	Financial Services	2	2	2	2	2	2	2	2	8	8	Medium/Medium
714	Office of the Chief of Staff	2	1	3	2	2	2	1	3	8	8	Medium/Medium
807	Student and Family Empowerment	3	1	1	2	2	2	2	3	7	9	Medium/Medium
932	Facilities and Construction	2	2	2	1	2	2	2	3	7	9	Medium/Medium



Exhibit A: Risk Assessment

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RISK FACTORS

Audit Universe	Auditable Unit (Key, process, activity, program, function, or department)	Criticality of Unit	Financial Impact	Regulatory Compliance	Public Sensitivity	Controls and Control Environment	Changes in Unit	Complexity of Monitoring Activities	Audit History	Scores		Risk Rank (Impact/Likelihood)
										Impact	Likelihood	
935	Operations Support Services	931	2	1	2	2	2	3	2	7	9	Medium/Medium
807	Student and Family Empowerment	807	2	1	2	2	2	2	3	7	9	Medium/Medium
714	Office of the Chief of Staff	912S	2	1	2	2	2	2	3	7	9	Medium/Medium
714	Office of the Chief of Staff	734	2	1	2	2	2	2	3	7	9	Medium/Medium
727	Financial Services	727	1	1	2	3	2	2	2	7	9	Medium/Medium
727	Financial Services	727	1	1	2	3	2	2	2	7	9	Medium/Medium
714	Office of the Chief of Staff	732	2	2	1	2	3	1	3	7	9	Medium/Medium
726	Human Resources	726	2	1	2	2	2	2	2	7	8	Medium/Medium
726	Human Resources	726	1	1	2	2	2	2	3	7	8	Medium/Medium
727	Financial Services	727	1	1	2	3	2	2	2	7	8	Medium/Medium
737	Budget and External Fin Mgmt	849	2	2	2	2	1	2	2	7	7	Medium/Medium
935	Operations Support Services	961	2	2	2	2	2	2	1	7	7	Medium/Medium
822	Special Education and Special Services	844	2	1	2	2	1	2	2	7	7	Medium/Medium
816	Student Retention and Truancy Prevention	816	2	1	2	2	1	1	3	7	7	Medium/Medium
954	Risk Management	954	2	2	2	2	1	2	2	7	7	Medium/Medium
727	Financial Services	727	2	2	2	2	1	2	2	7	7	Medium/Medium
727	Financial Services	727	3	3	2	2	1	2	1	10	6	High/Low
805	School Leadership	805	3	1	1	2	2	2	3	6	9	Low/Medium
714	Office of the Chief of Staff	842	2	1	1	2	2	2	3	6	9	Low/Medium
809	21st Century Learning and Well-being	810	2	1	1	1	2	2	3	5	9	Low/Medium
809	21st Century Learning and Well-being	831	2	1	1	2	2	2	3	5	9	Low/Medium
800A	Academics	846	2	1	1	2	1	2	3	5	8	Low/Medium
807	Student and Family Empowerment	828	1	1	2	2	2	1	2	5	7	Low/Medium
922	Warehouse Services	922	1	1	1	2	2	2	2	4	8	Low/Medium
951	Print Shop	951	1	1	1	2	1	1	2	4	6	Low/Low



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Al Velarde, Vice President

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