



## **Corrective Action Plan Follow-up Review: State Compensatory Education Program Costs Audit**

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### **Final Follow-up Report**

**Audit Plan Code: 22-18**

Management implemented a corrective action plan (CAP) with five (5) activities to address the finding, observation, and recommendations in the original audit report. As such, this report represents the close-out of the CAP.



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## Abbreviations

BEFM	Budget & External Financial Management
CAP	Corrective Action Plan
DIP	District Improvement Plan
EPISD	El Paso Independent School District
FASRG	Financial Accountability System Resource Guide
FMLA	Family Medical Leave Act
Frontline	School management system utilized by the District
IIA	Institute of Internal Auditors
SCE	State Compensatory Education



## Background

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, Performance Standard 2500 - Monitoring Progress, require we "...establish and maintain a system to monitor the disposition of results communicated to management." Internal Audit has established the Corrective Action Plan (CAP) process to meet this requirement. The process includes monitoring and reporting whether management has implemented corrective actions to address the audit finding, observation, and recommendations.

Internal Audit issued the State Compensatory Education Program Costs Audit Report to District management and administration on February 10, 2021. We performed the audit as part of the Board approved 2020-2021 Internal Audit Plan.

The objectives of the audit were to determine if the District:

1. Has internal controls in place to monitor compliance with the supplement, not supplant provision for State Compensatory Education (SCE) funds.
2. Maintains documentation to substantiate the costs of SCE Programs and Services.

The scope of the audit was the 2019-2020 fiscal year.

In summary, Budget and External Financial Management (BEFM) staff have procedures to monitor "Supplement Not Supplant" compliance requirements. The BEFM staff also have written procedures that provide reasonable assurance that documentation is being maintained to support non-payroll SCE Programs and Services costs. We found supporting documentation for all 30 expenditures tested for Miscellaneous Contracted Services, Reading Materials, General Supplies, Technology & Equipment, and Travel and Subsistence transactions. Although we found supporting documentation for payroll costs, some of the documents were incomplete. For the ten (10) salary account transactions tested, we found supporting documentation in the DIP. However, we identified a finding and an observation related to job descriptions, Time and Effort logs, and Semi-annual Certifications. Additional detailed written procedures may help ensure complete supporting documentation is maintained for the payroll expenditures.

The original audit report included one (1) finding, one (1) observation, and two (2) recommendations. For reference, the original audit report finding and observation are provided on **Exhibit A**. District management and administration agreed with our recommendations and developed a corrective action plan (CAP) with five (5) activities.

## Objective and Scope

The objective and scope of this follow-up review were to determine whether management implemented the five (5) CAP activities to address the one (1) finding, one (1) observation, and two (2) recommendations outlined in the State Compensatory Education Program Costs Audit Report.

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## Methodology

To achieve our follow-up review objective, we:

- Held meetings and/or communicated with persons responsible for carrying out the CAP activities.
- Reviewed supporting documentation maintained by management as evidence of completion of the CAP activities provided to Internal Audit.

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## Inherent Limitations

This was a limited scope follow-up review covering only the actions taken by administration to address the original audit finding, observation, and recommendations stated in the Objective and Scope section of this report. No representations of assurance are made to other areas or periods not covered by this follow-up review.

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## Summary of Results

CAP Activities	Implemented	Overall CAP Status
5	5	Closed

Management implemented a corrective action plan with five (5) activities to address the one (1) finding, one (1) observation, and two (2) recommendations in the original audit report. This report represents the close-out of the corrective action plan.

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## Original Recommendations and Status of CAP Activities

The original recommendations, the person(s) responsible, and the status of the CAP activities are outlined below:

**Original Recommendation:** We recommend the Financial Services and Budget & External Financial Management (BEFM) written procedures be updated to include specific procedures for job descriptions, Time and Effort logs, and Semi-annual Certifications as follows:

- 1.1 Update the EPISD Financial Services Procedures Manual Draft revised on 6/15/20 to reflect the "Updated/changes to the TEL process due to the COVID-19 virus" procedures provided to Internal Audit. These also include updates to the Semi-annual Certification process.

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**Management and Leadership Response:** Agreed with our recommendation and incorporated into the CAP as activity two (2).

**Activity 2:** "Finance will update the Financial Services Manual to include language that indicates the procedures to be used when an employee is unable to sign the Semi- Annual Certification and/or Time & Effort logs."

**Person Responsible:** Financial Analyst - Financial Services Department

**Status:** Implemented



- 1.2 Define when a teacher schedule will be issued in lieu of a Time and Effort log, how the percentage of the salary funded by SCE fund is calculated, and where teacher schedules will be archived (in Frontline or hard copy/PDF saved with Time and Effort logs).

**Management and Leadership Response:** Agreed with our recommendation and incorporated into the CAP as activities one (1) and five (5).

**Activity 1:** “Finance will review split funded teachers and other employees with a fixed master schedule. The master schedule is archived in Frontline. Employees who are eligible based on their schedule will not need to maintain a daily Time & Effort log. Finance will update the Financial Services Manual to include Time & Effort log exceptions.”

**Person Responsible:** Financial Analyst - Financial Services Department

**Status:** Implemented

**Activity 5:** “Update the BEFM Manual and Administrative Reference Guide (ARG) to document the process to calculate the percentage of ESOL teacher’s salary funded by SCE.”

**Person Responsible:** Executive Director - Budget and External Financial Management

**Status:** Implemented

- 1.3 Identify who is responsible for ensuring all job descriptions are distributed/collected and define timelines.

**Management and Leadership Response:** Agreed with our recommendation and incorporated into the CAP as activity four (4).

**Activity 4:** “Update the BEFM Manual and Administrative Reference Guide (ARG) to document personnel responsible for ensuring all job descriptions are distributed/collected and timelines.”

**Person Responsible:** Executive Director - Budget and External Financial Management

**Status:** Implemented

**Original Recommendation:** We recommend Financial Services Department consider changing the current paper-based process to collect electronic signatures for Semi-annual Certifications. This would address the challenges due to the pandemic and may also make the process more efficient.

**Management and Leadership Response:** Agreed with our recommendation and incorporated into the CAP as activity three (3).

**Activity 3:** “Finance will search for options of collecting electronic initials and signatures for Semi- Annual Certifications.”

**Person Responsible:** Financial Analyst - Financial Services Department

**Status:** Implemented. According to management, procedures were changed “removing the requirement of individual employee initials and accepting the supervisor’s signature...therefore only the supervisor would need to certify (electronically sign) the Semi-Annual form.”

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## Exhibit A – Summary of Original Audit Results

Finding	Summary Findings
1	<p>1.1 One Teacher did not have a Time and Effort log on record. According to Finance, a teacher schedule is used in lieu of Time and Effort log. The Finance Manual does not include language that states teacher schedules will be used in lieu of Time and Effort logs.</p> <p>1.2 One (1) employee's job description was not signed. According to BEFM staff the job description for this employee was inadvertently not sent out for signature.</p> <p>1.2.1 The FASRG requires Districts to maintain job descriptions, signed by SCE funded employees, which document their acknowledgment of the duties, responsibilities, and funding source. (FASRG State Compensatory Education, Guidelines, Financial Treatment, and an Auditing and Reporting System 6.3.2)</p> <p>1.2.2 The District's BEFM Manual, 6.2.4 Job Description for All Grant Funded Staff states, "The district shall develop and distribute a job description to all district staff that is wholly or partially funded with grant funds. The job description shall include the funding source and the job duties as they relate to the grant position. The grant-funded staff and the respective supervisor shall sign the job description at the time of employment and on an annual basis, or at a minimum, when the when the funding source, job title or other change occurs in the employment or assignment of the staff member."</p>

Observation	Summary Observation
1	<p>In spring 2020 (2<sup>nd</sup> certification), seven (7) of the nine (9) certifications tested were not signed by the employees; however they were signed by the employees' supervisors. It appears one (1) was not signed because an employee was on Family Medical Leave Act (FMLA) during July 2020.</p> <p>Finance staff stated that the certifications were not signed by employees because they (employees) were not available due to the Pandemic/COVID-19. Finance staff informed us that procedures were being updated to address COVID-19 and when employees are not available to sign.</p> <p>The TEA Version 2.0 (01/2016) Federal Time and Effort Reporting Guidance Handbook states, "If an employee works solely on a single federal award or cost objective, charges for the employee's salary and wages must be supported by periodic (semiannual, at least) certifications that the employee worked solely on that program or cost objective for the period covered by the certification."</p>



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