



Corrective Action Plan Follow-up Review: Contracted Services Audit - Academics

Audit Plan Code: 22-05

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First Follow-up Report

March 31, 2022

Management has implemented 13 of the 14 corrective action plan (CAP) activities to address the original audit report findings, observation, and recommendations.

Management and leadership have submitted an extension for the remaining activity until August 31, 2022. This represents the second extension for this CAP activity.



Contents

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Corrective Action Plan (CAP) Follow-Up Review

Background	1
Objective and Scope	1
Methodology	1
Inherent Limitations	1
Summary of Results	2
CAP Activities and Status	2
Exhibit A – Summary of Original Audit Results	7

Abbreviations

ACFE	Association of Certified Fraud Examiners
BEFM	Budget and External Financial Management
BOT	Board of Trustees
CAP	Corrective Action Plan
E2L	Engage Learning
ELA	English Language Arts
EPISD	El Paso Independent School District
FY	Fiscal Year
GAO	Government Accounting Office
IIA	Institute of Internal Auditors



CAP Follow-up Report

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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 audit findings, observations, and recommendations.

Internal Audit issued the Contracted Services – Academics Audit Report (original audit report) to District management and administration on May 27, 2021. The [original audit report](#) is posted on the EPISD's website. We performed the audit as part of the Board-approved 2020-2021 Internal Audit Plan. The objective of the audit was to determine whether Academics strategically acquired services by (i) identifying needs, (ii) justifying the decision to undertake the acquisition of services (aka business justification), (iii) aligning the contracted services to the District goals, and (iv) obtaining input from appropriate stakeholders.

The scope included Academics' contracted services rendered during fiscal years 2019-2020 and 2020-2021 with a cost of \$25,000 or more and recorded in Academics' Miscellaneous Contracted Services account (class object code 6299).

The original audit report included six (6) findings, one (1) observation, and 11 recommendations. For reference, a summary of the original audit report findings and observation is provided in **Exhibit A**. District management and leadership agreed with our recommendations and developed a corrective action plan (CAP) with 14 activities.

Objective and Scope

The objective and scope of this follow-up review was to determine whether management implemented the 14 CAP activities or took other actions to address the six (6) findings, one (1) observation, and 11 recommendations outlined in the Contracted Services - Academics Audit Report.

Methodology

To achieve the objective of our follow-up review, we:

- Held meetings and 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.

Inherent Limitations

This was a limited scope follow-up review covering only the actions taken by administration to address the original audit findings, 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.

Summary of Results

CAP Activities	Implemented	Overall CAP Status
14	13	Open

District management and leadership have implemented 13 of the 14 activities in the CAP. Implementing two activities (10 and 11) resulted in the District receiving a refund of \$366,551.33 from one vendor for four contracts.

The remaining open activity (activity 14) entails updating Board Goals as necessary. Management and leadership submitted the first extension for activity 14 until March 31, 2022, to ensure the District had a permanent Superintendent. After the Superintendent was selected, a second extension until August 31, 2022, was requested to engage in training and update the Board Goals.

The CAP will be open until the remaining activity is implemented or deemed no longer applicable/necessary. We will continue to monitor the implementation of the CAP and report to the Board any corrective action not effectively implemented or unduly delayed.

CAP Activities and Action Taken

Management and leadership agreed with the recommendations in the original audit report and incorporated them into 14 CAP activities. The details of the 14 activities, the person(s) responsible, and the action taken of the CAP activities are outlined below.

Activity 1 Implemented

The Interim Superintendent will reiterate the fiduciary relationship all cabinet/leadership administrators have with the District, which includes being good stewards of public funds to include actions and documentation of 1.1, 1.2, 1.3 (in the original audit report) described in audit recommendations.

Person(s) Responsible: Former Interim Superintendent (current Deputy Superintendent of Administration)

Action Taken: The former Interim Superintendent (current Deputy Superintendent of Administration) provided the Administration's Fiduciary Responsibility training during a Leadership meeting on June 8, 2021. Cabinet/leadership administrators provided signed Acknowledgment Statements certifying they attended the training.

Activity 2 Implemented

Develop and establish a centralized formal business analysis process that is practical and flexible for contracted services acquired under 6299 (over \$25,000).

Person(s) Responsible: Executive Director, Curriculum and Instruction

Action Taken: Academics developed and established a centralized formal business analysis (BA) process for contracted services acquired under the Miscellaneous Contracted Services account (class object code 6299). According to the Chief Schools Officer, the Executive Director of Curriculum and Instruction will continue to lead and monitor the BA process.

Activity 3 Implemented

Update Standard Operating Procedures (Administrative Reference Guide Manuals) to include formal business analysis process for all Academics Departments.

Person(s) Responsible: Executive Director, Curriculum and Instruction; Executive Director, Student and Family Empowerment; Executive Director, 21st Century Learning; Director, Staff Development; and Director, Active Learning

Action Taken: The Standard Operating Procedures (Administrative Reference Guide Manuals) for eight (8) Academics areas were updated to include the formal business analysis process. The Administrative Reference Guide Manuals were approved during the September 14, 2021 Leadership meeting.

Activity 4 Implemented

Train appropriate Academics personnel on Standard Operating Procedures (Administrative Reference Guide Manuals) to include formal business analysis process.

Person(s) Responsible: Executive Director, Curriculum and Instruction; Executive Director, Student and Family Empowerment; Executive Director, 21st Century Learning; Director, Staff Development; and Director, Active Learning

Action Taken: Academics personnel were trained on the business analysis process during the 2021 calendar year.

Activity 5 Implemented

Perform business analysis on any of the ten (10) contracts if planning to continue in 2021-2022.

Person(s) Responsible: Executive Director, Curriculum and Instruction; Executive Director, Student and Family Empowerment; Executive Director, 21st Century Learning; Director, Staff Development; and Director, Active Learning

Action Taken: The business analysis template developed for CAP activity 2 was completed for five (5) of the ten (10) contracts. The five (5) contracts were approved by the Board of Trustees on June 15, 2021, and September 21, 2021.

Services for the other five (5) contracts were discontinued at the conclusion of the FY2020-2021, and there were no plans to resume services; therefore, a business analysis was not completed.

Activity 6 Implemented

Add a requirement in the Procurement Manual for budget owners (sponsor stakeholders) to complete a business analysis (BA) for Academics' Miscellaneous Contracted Services (object code 6299). Also, add a requirement in the Procurement Manual to have Procurement check for existence and stakeholder approvals in the business analysis as early in their procurement review process.

Person(s) Responsible: Executive Director, Procurement and School Resources

Action Taken: Procurement added language to the Procurement Services Manual outlining responsibilities for the budget owner and Procurement Services staff:

- Budget owners (Academics Division and Information Technology Services) must include a business analysis along with the contract approval form for contracts greater than \$25,000 (utilizing account object code 6299), or it will be rejected and returned.
- Procurement Services staff will confirm receipt of the business analysis by dating and initialing it and emailing the initiator.
- Procurement Services staff will ensure the required stakeholder approvals are documented in the business analysis.

Activity 7 Implemented

Add a requirement in the Budget Manual for Academics to complete a business analysis as part of the budget hearing process. Also, add a requirement in the Budget Manual for Budget to review the business analysis during the budget hearing process.

Person(s) Responsible: Executive Director, Budget and External Financial Management

Action Taken: Budget and External Financial Management (BEFM) added language to the BEFM Procedures Manual requiring departments to submit the business analysis form as part of their budget hearing process if applicable. During the budget hearing process, BEFM will review the business analysis forms for the following:

- the initiative (contracted service) is recurring or new
- a goal, objective, and strategy
- the amount allocated matches the amount on the form
- the amount is allocated to the proper account number (6299)

Activity 8 Implemented

Conduct training on business analysis process to Academics-related departments to be implemented for any Contracted Services above \$25,000.

Person(s) Responsible: Executive Director, Budget and External Financial Management and Executive Director, Procurement and School Resources

Action Taken: During the Finance Academy on August 24 and 25, 2021, BEFM explained the requirement to submit a business analysis for contracted services above \$25,000. In addition, BEFM stated they would provide clarification on the process during the FY2022-2023 Budget Development Training.

Procurement placed a message on the myepisd.org landing page indicating the requirement to have a business analysis for contracts greater than \$25,000 (utilizing account object code 6299) for Academics Division and Information Technology Services.

Activity 9 Implemented

Submit the cross-function budget amendment mentioned in Finding 3 (in the original audit report) to the Board of Trustees for approval.

Person(s) Responsible: Executive Director, Budget and External Financial Management

Action Taken: Budget and External Financial Management submitted the cross-function budget amendment for the Board of Trustees (BOT) consideration on three separate occasions. On June 15, 2021, the BOT voted to not approve the cross-function budget amendment.

Activity 10 Implemented

Obtain appropriate data to perform a comparison of actual to expected utilization for the Renaissance contract (Freckle math, Freckle ELA, STAR 360).

Person(s) Responsible: Executive Director, Curriculum and Instruction

Action Taken: Academics requested a license usage report from Renaissance for STAR360, Accelerated Reader, Freckle ELA, and Freckle Math. Academics performed a comparison of actual to expected utilization for Renaissance contracts and determined refunds were due to the District (activity 11 provides details on the refunded amount).

Activity 11 Implemented

In consultation with Legal, initiate a request for a refund for underutilization of Freckle Math, Freckle ELA, STAR 360).

Person(s) Responsible: Executive Director, Curriculum and Instruction

Action Taken: The District requested a refund from Renaissance for four contracts (Freckle Math, Freckle ELA, STAR 360, and Accelerated Reader). The District received a refund from Renaissance for a total of \$366,551.33.

Activity 12 Implemented

Obtain appropriate data to perform a comparison of actual to expected utilization for Edgenuity, Achieve 3000, Engage Learning, Kids Excel El Paso, and Eduphoria.

Person(s) Responsible: Executive Director, Curriculum and Instruction; Executive Director, 21st Century Learning; and Director, Active Learning

Action Taken: Academics obtained data to perform a comparison of actual to expected utilization for three (3) of the five (5) contracts (Edgenuity, Eduphoria, and Kids Excel). This data could assist Academics in determining whether the cost, time, and effort invested in contracted services justified the actual usage. Services for the other two (2) contracts (Achieve 3000 and Engage Learning) were discontinued at the conclusion of the FY2020-2021, and there were no plans to resume services.

Activity 13 Implemented

Implement controls to ensure all District employees with primary purchasing responsibilities (budget authorities including the Superintendent) file annual affidavits to comply with Board Policy DBD (Local) regarding conflicts of interest.

Person(s) Responsible: Executive Director, Procurement and School Resources

Action Taken: Procurement added language to the Procurement Services Manual stating the following:

- District employees with primary purchasing responsibilities (budget authorities including the Superintendent) must file a disclosure affidavit on an annual basis with the Procurement Services Department in July if they have a conflict of interest.
- The Procurement Services Department will ensure the Local Government Officer Conflict Disclosure Statement Forms (Form CIS), whether they have listed a conflict or not, are submitted annually in July by the Superintendent, Board of Trustees, and all Cabinet members.

Activity 14

Not Started

The Academics Department will work with the Board of Trustees to ensure the Board Outcome Goals are updated as necessary.

Person(s) Responsible: Executive Director, Curriculum and Instruction

Action Taken: Management and leadership submitted the first extension until March 31, 2022, to ensure the District had a permanent Superintendent. After the Superintendent was selected, a second extension until August 31, 2022, was requested to engage in training and update the Board Goals.

Exhibit A – Summary of Original Audit Results

Finding	Summary Finding
1	For five (5) of the ten (10) Academics contracts tested, which totaled approximately \$1.89 million (See Figure 1. Items 1-5), there was no documentation to show that the following three strategic planning activities were performed before acquiring contracted services: <ul style="list-style-type: none"> • Identification of the need, • Justification of the decision to undertake the acquisition of services, and • Obtaining appropriate stakeholder input.
2	The former Superintendent directed Academics staff to acquire contracted services from Renaissance Learning (Renaissance), Engage Learning (E2L), and Con Mi Madre, which totaled approximately \$2.32 million. The contracted services were acquired without (i) conducting a needs assessment, (ii) conducting a business justification, and (iii) obtaining key internal stakeholders' input. Current District processes and policies do not prohibit a superintendent from directing District staff in this manner. However, the former Superintendent's actions do not align with the public sector's best practices of strategic planning and transparency.
3	Funds were not budgeted to cover the contracted services from E2L in the amount of approximately \$1.08 million. We found emails between District staff discussing finding the money to pay for the contracted services. The individual acquisition of \$1.08 million in September 2020 was not taken to the BOT for approval. As such, the BOT was not aware of this specific contract.
4	The former Superintendent made a decision, without a needs assessment or a business justification, to outsource services to E2L and Con Mi Madre instead of considering the expertise and capacity that was available in-house. Using in-house Academics staff may have saved the District approximately \$1.28 million. The combined actions and comments made by the former Superintendent regarding these contracted services are consistent with what the Government Accounting Office (GAO) defines as waste.
5	There is an appearance of a conflict of interest between the former Superintendent and two vendors (Renaissance and E2L) due to close social/professional relationships. The contracted services that we identified as part of this audit for the two vendors totaled \$2.12 million. The District has additional contracts with the two vendors. According to the District's enterprise resource planning system, Renaissance and E2L have received payments totaling \$2.86 million and \$2.92 million, respectively, for fiscal years (FY) 2019-2020 and 2020-2021 (through May 10, 2021).
6	For six (6) of the ten (10) contracts tested, there was no utilization data, or the data available could not be used to determine if the contracted services were being utilized as expected (e.g., number of licenses purchased per contract). The District could potentially receive a refund from Renaissance if the number of licenses used by the District is lower than the number of licenses acquired, as per a clause in the contracts for Freckle Math, Freckle ELA, and STAR 360.

Observation	Summary Observation
1	The Board Goals in the EPISD website, as of March 23, 2021, still reference Istation as part of the Early Childhood Math and Literacy Board Outcome goals. The District is not using Istation for the fiscal year ending 2021.

The complete [original audit report](#) is available on the EPISD website.



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