



Corrective Action Plan Follow-up Review: Bond Sale Proceeds and Expenditures Audit

ASSURANCE • INSIGHT • OBJECTIVITY

Final Report

Audit Plan Code: 19-01.01

A corrective action plan with 13 activities was implemented by management and leadership to address the findings, observation, and six recommendations in the original audit report. As such, this follow-up review represents the close-out of the corrective action plan.



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Abbreviations

ARG	EPISD's Administrative Reference Guide
CAP	Corrective Action Plan
EPISD	El Paso Independent School District
IIA	Institute of Internal Auditors
TEAMS	Total Education Administrative Management Solution



Background

As part of the reporting and audit process, 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." In order to comply with this standard, we performed this corrective action plan (CAP) follow-up review to monitor the status of the recommendations referenced in the original audit report.

Internal Audit issued the Bond Sale Proceeds and Expenditures Audit Report to District management and leadership on December 11, 2018. We performed the audit as part of the Board approved 2018-2019 Internal Audit Plan. The objective of the audit was to determine if the \$200 million bond issued on January 4, 2017 was priced in accordance with the terms of the underwriter agreement, properly recorded, and accounted for in the District's general ledger. The scope covered the period from the bond issuance, January 4, 2017, to July 31, 2018.

The original audit report included three (3) findings, one (1) observation, and six (6) recommendations to take appropriate and timely corrective actions. In summary, the District's \$200 million bond was priced in accordance with the terms of the underwriter agreement and properly recorded in the District's general ledger. However, there were some expenses not properly accounted for, within the 2016 bond fund account during the scope period, that may cause bond expenditures to be under or over-stated.

District management and leadership agreed with our recommendations and developed a CAP with 13 activities. For reference, a summary of original audit report findings is provided on **Exhibit A**.

Objective and Scope

The objective and scope of this follow-up review was to determine whether management and leadership implemented the 13 CAP activities or took other actions to address the three (3) findings, one (1) observation, and six (6) recommendations outlined in the Bond Sale Proceeds and Expenditures Audit Report.

Methodology

To achieve our audit objective, we:

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

Inherent Limitations

This follow-up was limited to reviewing the actions taken by management and leadership to address the original audit findings, observation, and recommendations as stated in the Objective and Scope section of this report. No representations of assurance are made to other areas or period not covered by this follow-up review.

Summary of Results

Management and leadership developed a total of 13 corrective action activities to address the findings, observation, and six (6) recommendations in the original audit report.

CAP Activities	Implemented	Overall CAP Status
13	13	Closed

This report represents the close-out of the CAP.

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 Deputy Superintendent, Finance and Operations establish a process to allocate actual payroll expenses to the 2016 bond funds for employees working on the bond. The process established should be documented in the department's standard operating procedures, applied consistently over time, and monitored periodically.

- 1.1 The payroll expense allocation can be based on employees' time and effort logs and/or periodic certification forms attesting to a percentage of time spent working on the bond. Both should attest to actual activities in the past and not the future.
- 1.2 Time and effort logs should be reviewed for completeness and accuracy on a periodic basis (at least quarterly) by the respective budget authority (employee's supervisor).
- 1.3 Time and effort logs and/or certifications should be retained according to the District's retention schedule and be available for review purposes.
- 1.4 The payroll expense allocated to the bond (based on time and effort logs and/or certifications) should be adjusted via a journal entry to properly record employee's actual time spent working on the bond on a periodic basis (at least quarterly).
- 1.5 The District should perform an assessment of its payroll expense allocation to the 2016 bond fund periodically (at least annually) to verify its continued validity. We recommend the following be performed:
 - 1.5.1 Review and update (if necessary) allocation percentages, depending on historical information, such as time and effort logs and/or certifications, and future expected needs.
 - 1.5.2 Review population of employees with bond responsibilities and determine whether any employees need to be added or removed."

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activities one (1) through eight (8).

Persons Responsible: Deputy Superintendent of Finance and Operations, Job Cost Accountant and Director of Facilities and Construction

Status: Implemented

2

Original Recommendation: “We recommend performing an analysis to determine the under or over-statement of allocated payroll expenses in the 2016 bond fund for the scope period of March 2017 to July 2018. A determination should also be made whether to adjust the payroll expense previously recorded to the 2016 bond fund.

The analysis should comprise of the 12 employees included and three (3) employees not included in the budgeted payroll expense allocation percentages in TEAMS. The analysis should also include any employee who has worked on the bond, but has not been identified through this audit, if any. Since time and effort logs and certifications were incomplete and inconsistent, the analysis would be dependent on any other historical records available (if any).”

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity nine (9).

Persons Responsible: Deputy Superintendent of Finance and Operations, Job Cost Accountant, and Director of Facilities and Construction.

Status: Implemented

3

Original Recommendation: “We recommend the EPISD Treasury Management Administrative Reference Guide (ARG) be updated to clearly define the frequency of the reconciliation and review process for investment pool accounts.”

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 10.

Person Responsible: Treasurer

Status: Implemented

4

Original Recommendation: “We recommend the \$955.68 audio visual equipment expenditure, inadvertently purchased (via a warehouse requisition) using 2016 bond funds, reclassified to the appropriate fund.”

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 11.

Person Responsible: Job Cost Accountant

Status: Implemented

5

Original Recommendation: “We recommend non-standard purchases, like warehouse requisitions, be reviewed on a periodic basis by the Cost Accountant to determine if they are related to the bond. A follow-up should be performed if the items purchased do not appear to be related to the bond.”

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 12.

Person Responsible: Job Cost Accountant

Status: Implemented

6

Original Recommendation: “We recommend the supporting documentation of expenditures made using 2016 bond funds be clearly identified as belonging to the 2016 bond to assist in the oversight and accountability of bond expenditures (i.e. warehouse requisitions, purchase orders, and invoices).”

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 13.

Persons Responsible: Job Cost Accountant and Executive Director of Financial Services

Status: Implemented

Exhibit A – Summary of Original Audit Report Findings

Finding	Summary Finding
1	Salaries and fringe benefits (“payroll expenses”) have been allocated to the 2016 bond fund based on budgeted percentages and have not been adjusted to reflect actual payroll expenses. As a result, payroll expenses might be under or over-sated for the period of March 2017 to July 2018 (March 2017 is the first month where payroll expenses were allocated to the 2016 bond fund).
2	The frequency of the reconciliation and review process for investment pool accounts, such as the bond investment account holding the original \$200 million bond issuance, is not defined in the EPISD Treasury Management Administrative Reference Guide (ARG).
3	Audio visual equipment costing \$955.68 was inadvertently purchased using 2016 bond funds instead of local funds.
Observation 1	During our expenditure testwork, we found supporting documentation that was not easily identifiable as being related to the 2016 bond at first glance (i.e. warehouse requisitions, purchase orders, and invoices). In order to determine the expenditure relationship to the 2016 bond, we followed-up with specific departments, Procurement Services, and/or consulted the minutes from Board of Trustees meetings.



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EPISD Internal Audit Department

📍 6531 Boeing Drive. El Paso, TX 79925

☎ Phone 915-230-2740 ✉ Email audit@episd.org

Fraud, Waste, and Abuse Hotline:

<https://www.reportlineweb.com/EPISD> or 800-620-8591



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