



Bond Funded Expenditures Audit

ASSURANCE • INSIGHT • OBJECTIVITY

Final Report

Audit Plan Code: 21-10.01

Most non-construction bond-funded expenditures tested were properly supported and related to the 2016 Bond in accordance with the Voter Compact. We found no evidence of bond funds used for teacher or administrative salaries or other school operating expenses, other than EPISD employees whose responsibilities include 2016 bond-related activities.

However, we identified instances of non-compliance with the records retention procedures and the District's process for the destruction of records.



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Abbreviations

CBAC	Citizens' Bond Advisory Committee
CAP	Corrective Action Plan
CFC	Coordinator of Facilities and Construction
CJCAM	Compliance and Job Cost Accounting Manager
EPISD	El Paso Independent School District
FCD	Facilities and Construction Department
TSL	Texas State Library



Internal Audit Report

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Background

On November 8, 2016, El Paso voters approved a \$668.7 million bond program for the modernization and right-sizing of the District. The Board of Trustees adopted the "Voter Compact" as a resolution to provide voters assurance of the Board's intent (i) with respect to the use of the proceeds of bonds and (ii) to establish the Citizens' Bond Advisory Committee (CBAC) to monitor the implementation of the 2016 Bond Projects.

Per the Voter Compact, the Board of Trustees pledged to the voters of the District for the bond monies to be used for "the construction, renovation, demolition, and equipment of school buildings and school facilities in the District, including technology improvements, safety and security improvements, school reconstruction, renovations to existing facilities and athletic facilities improvements; the purchase of necessary sites for school buildings; and the purchase of new school buses (collectively the "2016 bond projects")."

Per the CBAC Charter, among many other responsibilities, the committee is to "validate that no bond funds are used for any teacher or administrative salaries or other school operating expenses, other than administrative salaries whose primary purpose is to manage the district's [sic] bond program." In addition, as reported to the CBAC by the Deputy Superintendent of Finance and Operations, expenses funded with bond interest income will require board approval for other than administrative expenses.

The Bond-Funded Expenditures Audit was approved by the Board of Trustees as part of the 2020-2021 Internal Audit Plan.

Objective and Scope

The objective of the audit was to determine whether non-construction bond-funded expenditures are properly supported and related to the 2016 Bond in accordance with the Voter Compact.

The scope of the audit covered the period from August 1, 2018 to June 30, 2020.

Methodology

To achieve our audit objectives, we:

- Researched relevant state laws, Board policies, and the department manual/guidelines.
- Reviewed the Voter Compact, CBAC Charter, and other related bond documents.
- Used internal control questionnaires to obtain an understanding of the bond expenditure process and controls in place.
- Obtained, reviewed, and analyzed documentary evidence for the scope period provided by the District's Compliance and Job Cost Accounting Manager and Coordinator of Facilities and Construction.

- Confirmed ending bond investment balances directly with the investment institution for a sample of months.
- Agreed a sample of bond interest income from general ledger to investment statements.
- Tested a sample of payroll and non-payroll expense transactions from bond-related general ledger detail to determine if they were related to the bond in accordance with the Voter Compact.

Inherent Limitations

Because of the inherent limitations in a system of internal controls, there is a risk that errors or irregularities occurred and were not detected. Due professional care requires the internal auditor to conduct examinations and verifications to a reasonable extent.

Accordingly, an auditor is able to obtain reasonable, but not absolute, assurance that procedures and internal controls are followed and adhered to in accordance with the federal, state, local policies, and guidelines.

Acknowledgement

We would like to acknowledge and thank the Deputy Superintendent of Finance and Operations, Chief Quality Officer, Executive Director of Facilities and Construction, and their staff for their cooperation and assistance during the audit.

Management's Corrective Action Plan

District management and leadership submitted a Corrective Action Plan (CAP) outlining the activities to be implemented. The two recommendations made by Internal Audit were incorporated into the CAP. The CAP appears to be sufficient to address the findings outlined in this report. Internal Audit will conduct follow-up reviews to validate CAP activities have been implemented.

Conclusion and Results

Most of the non-construction bond-funded expenditures tested were properly supported and related to the 2016 Bond in accordance with the Voter Compact.

We found no evidence of bond funds used for teacher or administrative salaries or other school operating expenses, other than EPISD employees whose responsibilities include 2016 bond-related activities. However, we identified instances of non-compliance with the records retention procedures and the District's process for the destruction of records as outlined in this section of the report.

Finding 1

One (1) of 10 overtime requests forms in our sample was not available to review. As such, we could not verify that the overtime charged for this overtime form was directly related to bond projects. According to the Coordinator of Facilities and Construction (CFC) the document was shredded. The document was shredded prior to meeting the records retention requirement period of two years. Also, when

disposing of this document, EPISD's Records Management Office procedures were not followed.

- Per the Texas State Library (TSL) Local Schedule GR, Time Change Records, "Requests and authorizations for overtime, time trading, and other actions that affect normal work time except leave requests..." should be retained for two years. Per the Retention Schedule for Records of Public School Districts 13 TAC §7.125 (a) (6), "No local government office may dispose of a record listed in this schedule prior to the expiration of its retention period."
- Per EPISD Records Management Administrative Reference Guide, "Campus/Departments shall not destroy any document without following the proper procedures outlined in the Guide...and it is the responsibility of Campuses and Departments to ensure that the proper procedures for destruction are followed."

Finding 2

While requesting documentation for this audit, the CFC indicated that s/he had shredded documents, to include overtime request forms and jury duty notice forms, dated October 13, 2018, and older, without following EPISD's Record Management procedures. The CFC indicated that s/he was not aware of the records retention requirements and that the documents were destroyed in preparation for the relocation of the Central Office.

There is a risk that, in addition to the document in finding 1, other documents supporting bond 2016 costs were destroyed without meeting the retention period.

Finding 3

One employee did not sign and submit a Bond Fund Activities Certification when s/he filled a bond-funded position in the middle of the year. Per the EPISD Job Cost Accounting Manual, all employees working on bond projects must sign a Bond Fund Activities Certification.

- Per the Job Cost Accounting Manual, "certifications will be prepared annually by the job cost accountant."
- Shortly after this employee became bond-funded, the position of Job Cost Accountant became vacant and was not filled until three months later. The position was filled as Compliance and Job Cost Accounting Manager (CJCAM).

Note that this finding is low-risk because the employee submitted appropriate time and effort logs. His/her actual salary costs were charged to the Bond Fund, based on the time and effort logs. According to Section IX of the EPISD Job Cost Accounting Manual, "Complete and accurate time and effort records and periodic certification forms will be maintained by Facilities and Construction Department (FCD) project managers...all documents will be maintained in accordance with District retention schedules and made available for review."

Recommendations and Management Responses

A Corrective Action Plan (CAP), outlining the activities to be implemented and signed by District management and leadership, was submitted to Internal Audit. The two (2) recommendations made by Internal Audit were incorporated into the CAP. The CAP appears to be sufficient to address the findings outlined in this report.

1

We recommend the FCD review the District's record retention and record destruction requirements with all department employees on, at least, an annual basis. This can be done either via a staff meeting or a required refresher training course. This training or refresher course can help the department be compliant with the procedures established by the District's Records Retention Office and the Texas State Library.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity one (1).

Person(s) Responsible: Compliance and Job Cost Accounting Manager

Implementation Date: January 29, 2021

2

We recommend the FCD modify their current Bond Funds Activities Certification procedures to (i) include a step to notify the CJCAM of any changes in the bond-funded salaried positions through-out the year and (ii) develop a process to cross train a backup employee in case the CJCAM is not available to perform his/her duties. This can enable the CJCAM or designated backup to follow up with employees and ensure Bond Funds Activities Certifications are signed annually.

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

Person(s) Responsible: Executive Director of Facilities and Construction

Implementation Date: January 29, 2021



EL PASO INDEPENDENT SCHOOL DISTRICT

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