



Corrective Action Plan Follow-up Review: Budget Audit

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Final Follow-up Report

Audit Plan Code: 22.02.FF

Management implemented a corrective action plan (CAP) with 16 activities to address the findings, observations, and recommendations in the Budget Audit report. As such, this report represents the close-out of the CAP.



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Abbreviations

ABR	Additional Budget Request
ARG	Administrative Reference Guide
BCR	Budget Change Request
BEFM	Budget and External Financial Management (BEFM) Office
CAP	Corrective Action Plan
CFO	Chief Financial Officer
EPISD	El Paso Independent School District
FY	Fiscal Year
IIA	Institute of Internal Auditors
TEA	Texas Education Agency
Frontline	Enterprise Resource Planning software



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 Budget Audit Report (original audit report) to District management and administration on March 4, 2022. The [original audit report](#) is posted on the EPISD's website. We performed the audit as part of the Board-approved 2021-2022 Internal Audit Plan. The objectives of the audit were to determine if:

1. Additional budget requests were allocated for their intended purpose in the local districtwide account as adopted by the Board.
2. Budget change requests and approvals were complete, accurate, authorized, and aligned with the District's strategic and operating objectives.
3. The Budget and External Financial Management (BEFM) Office monitored budget change requests for discrepancies and regularly communicated budget changes to identify inefficiencies.

The audit scope included additional budget requests and budget change requests within the general operating fund processed between July 1, 2020, and June 30, 2021 (FY21).

Our audit found the BEFM staff verify that applicable budget change requests (BCRs) include references to the District's strategic and operating objectives to ensure alignment. In addition, BEFM staff monitor BCRs monthly and make corrections as necessary, increasing accuracy and reducing opportunities for funds to be misapplied. However, we found instances where (i) additional budget requests were not utilized for their intended purpose or allocated to the intended account, and (ii) budget change requests were not properly authorized.

The original audit report included five (5) findings, three (3) observations, and 15 recommendations. For reference, a summary of the initial audit report findings is provided in [Exhibit A](#). District management and administration agreed with our recommendations and developed a corrective action plan (CAP) with 16 activities.

Objective and Scope

The objective and scope of this follow-up review were to determine whether management implemented the 16 CAP activities or took other actions to address the five (5) findings, three (3) observations, and 15 recommendations outlined in the Budget Audit Report.

Methodology

To achieve our follow-up review objective, we:

- 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 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
16	16	Closed

Management implemented a corrective action plan with 16 activities to address the five (5) findings, three (3) observations, and 15 recommendations in the original audit report. This report represents the close-out of the corrective action plan.

CAP Activities and Action Taken

Management and leadership agreed with the recommendations in the original audit report and incorporated them into 16 CAP activities. The details of the 16 activities, the person(s) responsible, the person(s) responsible, the action taken, and the status of the CAP activities are outlined below:

Activity 1 Implemented

“Develop an ABR monitoring process to implement. Once developed, present the process to leadership.”

Persons Responsible: Director of BEFM and Executive Director of BEFM

Action Taken: The BEFM ARG update includes a monitoring section under Budget Hearing indicating there will be monthly compliance review meetings for monitoring ABR spending. Additionally, quarterly meetings (check-ins) will be scheduled with the recipient of such funds. The amended BEFM ARG was presented to Cabinet and signed by the Superintendent on August 29, 2022.

Activity 2 Implemented

“Update the BEFM manual and ARG to document the additional budget request ABR monitoring process. Training of monitoring process would follow.”

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: The BEFM ARG and manual were modified to incorporate a section addressing the Additional Budget Requests (ABRs) process. The new section states that “ABRs will be prepared and presented to the Superintendent’s Executive Cabinet for review and approval.” Also, training will be provided through various means. e.g., Budget Workshops, Budget Academy, and one-on-one training as requested.

Activity 3 Implemented

“Present a process to leadership for addressing unused or excess ABR funds.”

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: The BEFM ARG was modified to incorporate a section that addresses “Unused or Excess” process for ABR funds. The section states that if funds are no longer required or will not be fully used, the budget authority must provide BEFM written communication via email. It will be at the discretion of the Superintendent or designee to approve the re-purpose of funds.

Activity 4 Implemented

“The BEFM Office will develop and implement a process to address ABR account setup and deviations in the ARG.”

Persons Responsible: Director of BEFM and Executive Director of BEFM

Action Taken: The BEFM ARG was modified to incorporate a section that addresses the “Account Setup” process for ABRs. Per the ARG, additional budget requests will be submitted using Smartsheet. An account for approved ABR(s) will be created in the Districtwide account budget unit 995 with the corresponding account string. Additionally, department accounts will be created accordingly, with a specified sub-object code, to distribute the approved funds so that they are allocated appropriately per TEA account code element guidelines. According to BEFM leadership, no verbal requests for ABRs will be allowed.

Activity 5 Implemented

“The BEFM office will develop and implement a semi-annual review of user access for BEFM Staff as it relates to Budget Transfer data entry and approval to ensure that the workflow approval for staff does not overlap.”

Persons Responsible: Director of BEFM and Executive Director of BEFM

Action Taken: The BEFM ARG was updated to incorporate a section that addresses “Budget Transfer Access/Workflow Approval.” In summary, the new section states semi-annual reviews of transfer access and workflow approval process will be conducted to ensure that BEFM staff have adequate access levels. The ARG also outlines the workflow process for approving budget amendments.

Activity 6 Implemented

“BEFM will develop and implement a process to identify proper levels of authority in workflow approval.”

Persons Responsible: Director of BEFM and Executive Director of BEFM

Action Taken: The BEFM staff developed and implemented a process to identify workflow approval for budget amendments. The workflow approval process was incorporated into the ARG in the “8.04 Budget Transfer Access/Workflow Approval” section. The new process has a threshold amount for further review by CFO if BCRs include local funds and/or are within a specific budget unit. Additionally, the Budget Change Request report will be run on a monthly basis to monitor and identify if any budget changes were auto-approved.

Activity 7 Implemented

"BEFM will initiate a discussion with Information Technology and Frontline to identify a solution to avoid transfers from deficit accounts. If a solution is not possible, BEFM will continue to perform monthly reviews of deficits as a mitigating control."

Persons Responsible: Director of BEFM and Executive Director of BEFM

Action Taken: The BEFM ARG update incorporates Section 8.05, "Prevent Budget Transfers from Accounts in Deficit." Frontline prevents the budget transfer from being processed if it causes a deficit. Frontline has controls that should not allow a budget change request to be processed when an account is already in deficit. An Information Technology ticket will be submitted for a solution to be identified if a budget transfer causes a deficit. Furthermore, a monthly review of deficits will be performed by BEFM as a mitigating control.

Activity 8 Implemented

"BEFM is exploring a process to encumber funds for budget amendments, thus prohibiting any further reductions from said accounts. BEFM will continue to reconcile functions codes on a monthly basis to ensure functions are aligned as adopted by the Board and/or Amended by the Board."

Persons Responsible: Director of BEFM and Executive Director of BEFM

Action Taken: The BEFM staff explored a process to encumber funds for budget amendments. Amendments now must be submitted to the BEFM Office on the Budget Amendment Request Form for processing via the Smartsheet link located on the BEFM website. Upon review of the request, BEFM will submit the budget amendment in the TEAMS system and encumber the funds until it is approved by the Board of Trustees. Additionally, monitoring will be conducted monthly with the Budget Change Request report.

Activity 9 Implemented

"BEFM will obtain Board approval when processing all budget change requests that increase one of the functional spending categories as per Board Policy CE(Local)."

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: The BEFM ARG was updated to indicate the different levels of approval required when processing a budget change request. The update in the BEFM ARG now references Boar Policy CE and states that budget amendments/requests will remain in the TEAMS system on "hold" status for final processing until it is approved by the Board of Trustees. Additionally, monitoring will be conducted monthly with the Budget Change Request report.

Activity 10 Implemented

"BEFM will develop a recommendation to address thresholds/limits and levels of approvals needed for budget amendments and present for the Supt. approval."

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: The BEFM ARG was updated and it now outlines thresholds/limits and levels of approvals needed for budget amendments under Section 8.04 Budget Transfer Access/Workflow Approval and Section 12.01 Budget Amendments subsection "Budget Amendment Request – Campus &

Departments.” The sub-section requires BEFM obtain approval the Superintendent’s approval prior to submitting to the Board (for their approval).

Activity 11 Implemented

“BEFM will work with the Superintendent for the delegation and workflow approval from the districtwide account.”

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: Delegation on workflow approval from the districtwide account was outlined in the ARG subsection titled “Districtwide Account (995) Budget Transfers – Local (1xx)”. The BEFM ARG now indicates that budget change requests to and from the Districtwide account(s) require approval from the CFO regardless of the amount. Moreover, it states: “it will be at the Superintendent’s discretion to designate the CFO as the final authority to review and approve all budget transfers to and from the Districtwide account”.

Activity 12 Implemented

“BEFM will document procedures for the districtwide account on the acceptable uses, ownership, monetary thresholds, and approval levels.”

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: Procedures have been documented in the BEFM ARG for acceptable uses, ownership, monetary threshold, and approval levels for the districtwide account under subsection Section 12.02 titled “Districtwide Account (995) Budget Transfers – Local (1xx)”. In addition, the CFO will provide the Superintendent’s Executive Cabinet with a quarterly summary of transfers exceeding \$150,000 from the districtwide account.

Activity 13 Implemented

“BEFM will work and train staff as it relates to acceptable supporting documentation for BCRs.”

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: The BEFM ARG was updated to include Section 12.02, “Budget Transfers.” The ARG section outlines a listing of acceptable supporting documentation for BCRs. In addition, training will be provided through various means, e.g., Budget Workshops, Budget Academy, and one-on-one training as requested.

Activity 14 Implemented

“BEFM develop a list of acceptable documents that support BCRs.”

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: The BEFM ARG was updated to outline a listing of documents that should be used to support the transfer of funds. These documents include: emails to support the request, budget transfer memo, vendor quote/invoice, payroll-related cost/fringes (spending planner), etc.

Activity 15 Implemented

“BEFM will prepare a summary report that addresses BCR changes and trends, and present to Leadership.”

Activity 16 Implemented

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: The BEFM staff prepared and provided a summary memo that addressed BCR changes and trends along with an example of a Frontline BRC report, which was presented to the Cabinet on August 29, 2022.

“BEFM will work with leadership to determine the advantages and/or disadvantages of implementing a BCR monitoring process. If deemed beneficial, BEFM will work with District Leadership to develop and implement a monitoring process.”

Persons Responsible: Director of BEFM and Executive Director of BEFM.

Action Taken: The BEFM staff presented to leadership on August 29, 2022, the advantages and disadvantages of implementing a BCR monitoring process. They provided two alternatives for the BCR monitoring processes, (i) grant budget authorities and secretaries appropriate access to the “Budget Change Request Report” or (ii) develop a Tableau Dashboard to provide structured visualization of data with the option to export data in various formats. The timeframe for both alternatives ranges from two months to six months to a year, respectively. Per the Executive Director of BEFM, they will open a ticket with Information Technology to ensure that the TEAMS “Budget Change Request Report” is available to campuses and departments.

Exhibit A – Summary of Original Audit Results

Finding	Summary of Findings
1	The Instructional Initiative ABR had \$1.8M in outgoing budget transfers from the requesting departments' accounts for purposes other than initially intended and approved by the Board.
2	One (1) of 24 requests within the Instructional initiative ABR, for \$1M, was not allocated to the intended miscellaneous contracted services account.
3	Two (2) of 15 amendments tested were auto approved in the Frontline system.
4	The BEFM staff processed two (2) budget change requests (amendments), creating \$548,615 in deficits to multiple accounts.
5	The BEFM staff authorized and used the districtwide account to expedite a department's \$25,000 cross-function budget change request bypassing the required Board approval process.

Observation	Summary of Observations
1	There are no written procedures outlining the responsibility for the districtwide account. For example, the account's allowable uses, budget owner, required approvals for BCRs, and monetary threshold levels per authority level are not outlined in the BEFM Manual. Unassigned responsibility weakens financial accountability.
2	The BEFM Manual does not address document upload or a listing of acceptable documents for upload when making a budget change request. Frontline users have the ability to directly upload supporting documentation when submitting a budget change request for review. However, there is inconsistency on when that feature is used and on the types of documents uploaded, if any.
3	The District does not have a process to monitor the cumulative effects of BCRs and/or trends that could be used by District leadership to identify budget planning inefficiencies. In FY21, the BEFM office processed 4,407 BCRs, 2,699 of which were from the District's local fund accounts, totaling \$275M.

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



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