



State Compensatory Education Program Costs Audit

ASSURANCE • INSIGHT • OBJECTIVITY

Final Report

Audit Plan Code: 21-09

The District has internal controls to monitor “Supplement Not Supplant” compliance requirements and written procedures for maintaining documentation to substantiate non-payroll SCE Program costs. However, additional detailed written procedures are needed to ensure complete documentation is maintained for the payroll SCE Program costs.



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Abbreviations and Definitions

BEFM	Budget & External Financial Management
CAP	Corrective Action Plan
CIP	Campus Improvement Plan
CNA	Comprehensive Needs Assessment
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
IA	Internal Audit
IIA	Institute of Internal Auditors
SCE	State Compensatory Education
TEC	Texas Education Code



Internal Audit Report

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Background

According to the Texas Education Agency (TEA), “the goal of the State Compensatory Education Program (SCE) is to provide funding to reduce disparity in performance on assessment instruments or disparity in the rates of high school completion between educationally disadvantaged students, at-risk students, and all other students. The purpose of the SCE program is to increase academic achievement and reduce the dropout rate for these students by providing supplemental programs and services.” The funds may only be used for costs of programs that supplement the regular education program. (TEC 29.081), (FASRG 2019 6.2.4.5 Supplement, Not Supplant)

School districts are required to have a District Improvement Plan (DIP) and Campus Improvement Plans (CIPs), which must be developed, evaluated, and revised annually. The purpose of DIP and CIPs is to guide district staff in the improvement of student performance for all student groups. The DIP and CIPs must include a comprehensive needs assessment, measurable performance objectives, strategies for improvement, and evaluation for effectiveness. (TEC 11.251) In addition, the DIP and CIPs must also include full-time equivalents (FTEs) and approximate dollar amounts for activities. (FASRG 2019 6.2.2 District and Campus Improvement Plans), (TEC 29.081)

School districts are required to maintain documentation for SCE fund expenditures. The primary and most important documentation is the DIP and CIPs. Additional documentation used, which is not exhaustive, are teacher schedules, job descriptions, and Time and Effort. (FASRG 2019 6.3.2 School District Support for Charges to Compensatory Education)

Objectives and Scope

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.

Methodology

To achieve our audit objectives, we:

- Researched relevant federal/state laws and regulations, Board policies, and departments' manual/guidelines.
- Used questionnaires and met with management to obtain an understanding of the SCE program processes and controls in place.
- Performed a risk assessment based on our understanding of the SCE program processes and controls in place.

- Performed data analysis using the 2019-2020 financial data from Frontline to identify SCE expenditures and identify employees funded with SCE.
- Tested 10 (ten) salary account transactions by tracing the cost to the DIP, job description, and Time and Effort/Semi-annual Certification.
- Tested 30 Miscellaneous Contracted Services, Reading Materials, General Supplies, Technology & Equipment, and Travel and Subsistence by tracing the cost to the DIP, purchase order, invoice, and inventory.
- Sent questionnaire to data owners to determine if the District has controls for “Supplement Not Supplant” compliance requirements.

Inherent Limitations

Because of the inherent limitations in a system of internal controls and limitation stated above, 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 want to acknowledge and thank the External Funding, Financial Services, and School Resources Department staff for their cooperation and assistance during the audit.

Conclusion and Results

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.

Finding 1

- 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.

- 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.
 - 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)
 - 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."

Observation 1

In spring 2020 (2nd 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.

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.

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."

Recommendations and Management's Corrective Action Plan

District management and leadership submitted to Internal Audit a Corrective Action Plan (CAP) with five (5) activities to address the finding and observation. All 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.

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

- 1.1 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.

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

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(s) Responsible: Richard Romero, Financial Analyst - Financial Services Department

Implementation Date: 6/30/2021

- 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 and five.

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(s) Responsible: Richard Romero, Financial Analyst - Financial Services Department

Implementation Date: 6/30/2021

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(s) Responsible: Martha Aguirre, Executive Director - Budget and External Financial Management (BEFM)

Implementation Date: 3/31/2021

- 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.

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(s) Responsible: Martha Aguirre, Executive Director - Budget and External Financial Management (BEFM)

Implementation Date: 3/31/21

2

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.

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

Person(s) Responsible: Richard Romero, Financial Analyst - Financial Services Department

Implementation Date: 6/30/2021



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