



Corrective Action Plan Follow-up Review: Unapproved Cash Fundraiser

ASSURANCE • INSIGHT • OBJECTIVITY

Final Report

Audit Plan Code: 19-19

All five recommendations were implemented by management and administration to address the findings in the original investigation report. As such, this follow-up review represents the close-out of this Corrective Action Plan.



Contents

ASSURANCE • INSIGHT • OBJECTIVITY

Follow-up Review

Background	1
Objective and Scope	1
Methodology	1
Summary of Results	2
Original Recommendations and Status of CAP Activities	2
Exhibit A – Summary of Original Investigation Report Findings	4

Abbreviations

AYPYN	Army Youth Program in Your Neighborhood
CAP	Corrective Action Plan
IIA	Institute of Internal Auditors



Follow-up Review

ASSURANCE • INSIGHT • OBJECTIVITY

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 follow-up review to monitor the status of the recommendations referenced in the original investigation report.

Internal Audit issued the Unapproved Cash Fundraiser Investigation Report to District management and administration on February 14, 2018. We performed the investigation as part of the Board approved 2017-2018 Internal Audit Plan. The objective of the investigation was to determine the validity of the allegations (i) an unapproved campus fundraiser was conducted, (ii) an unauthorized vendor was used, (iii) cash payments were made to the vendor, and (iv) hourly employees conducted activities related to the unapproved fundraiser before/after business hours. Our investigation validated all the allegations. The campus staff, including former principal, circumvented the District's fundraising guidelines when they conducted an unapproved fundraiser with an unauthorized vendor.

The original investigation report included four (4) findings, two (2) ancillary findings, and three (3) recommendations to mitigate the risks identified. Due to the outcome of one of the recommendations, we subsequently made two (2) additional recommendations. District management and administration agreed with our recommendations and developed a corrective action plan (CAP) with seven (7) activities. For reference, a Summary of the Original Investigation Report Findings is provided on **Exhibit A**.

Objective and Scope

The objective of this follow-up review was to determine whether management and administration implemented the five (5) recommendations outlined in the seven (7) CAP activities or took other actions to address the four (4) findings and two (2) ancillary findings referenced in the Unapproved Cash Fundraiser Investigation Report. The scope was limited to the actions taken by management and administration. No representations of assurance are made to other areas or periods not covered by this follow-up review.

Methodology

To achieve our follow-up review objective, we:

- Communicated with persons responsible for carrying out the CAP activities.
- Reviewed supporting documentation provided by management/administration as evidence of completion of the CAP activities.
- Reviewed data in Schools Funds Online (Campus Accounting software) to verify information submitted.

Summary of Results

Management and administration developed a total of seven (7) corrective action activities to address the five (5) recommendations.

Recommendations	Implemented	Overall CAP Status
5	5	Closed

This follow-up review represents the close-out of this corrective action plan (CAP).

Original Recommendations and Status of CAP Activities

The original and subsequent recommendations, the CAP activities (response from management/ administration), person(s) responsible, and the status of the CAP activities are outlined below.

1

Original Recommendation: If funds have not already been recovered, the current middle school principal should contact the unauthorized vendor, who did not deliver the sweatshirts, to try to recover funds paid to him/her. If funds are recovered from the unauthorized vendor, they should be deposited to the campus' general fund.

Management and Administration Response: Agreed with recommendation and incorporated into the CAP as activity six (6).

Activity 6: "Contact vendor to attempt to recover funds that were paid out to vendor. If funds are recovered, deposit funds to the campus general fund."

Person Responsible: Principal

Status: Implemented. Principal stated s/he contacted the vendor to attempt to recover funds of at least \$1,685. Although the vendor was initially cooperative and had agreed to set up a payment plan, the vendor became unresponsive to subsequent recovery attempts. In light of this negative outcome, we made subsequent recommendations (4 and 5) as stated below. As of January 10, 2019, the vendor has not returned any of the funds paid by the campus.

2

Original Recommendation: As a preventative measure, the current middle school principal should be briefed on the results of this investigation to prevent re-occurrence in the future. The principal and the secretary to the principal should ensure they follow District guidelines regarding fundraising activities as outlined in the Campus Accounting Manual. The principal should also consult with the Procurement Department to ensure vendors are approved before any services/items are provided.

Management and Administration Response: Agreed with recommendation and incorporated into the CAP as activities one (1) through five (5).

Activity 1: "Train new Secretary to Principal and current Principal (if necessary) on fundraising and cash collection/disbursement."

Activity 2: "Review all fundraiser requests and ensure that they are filled out correctly and that any and all future school fundraisers are reviewed and approved by the District's Financial Services Department before any school fundraiser is initiated."

Activity 3: “Provide related District training to all employees who will be involved in fundraising and receiving/collecting cash as part of the yearly training provided by the Secretary to the Principal. Training should incorporate information on approved types of payments to vendors.”

Activity 4: “Secretary to the principal and principal will consult the District's approved vendor list before any services/items are provided to ensure that any purchases made are from approved vendors in good standing with EPISD.”

Activity 5: “Review District policies with hourly office staff and military liaison regarding participating in school activities before/after business hours.”

Persons Responsible: Principal and Secretary to Principal

Status: Implemented

3

Original Recommendation: Human Resources should file a copy of this report in the appropriate Employee Relations' files for the former principal, former secretary to the principal, and former military liaison as part of their work history with the District.

Management and Administration Response: Agreed with recommendation. Activity was not assigned a number since it was completed before the CAP was created.

Person Responsible: Employee Relations Executive Director

Status: Implemented

4

Subsequent Recommendation: The Principal should submit an adverse vendor performance form for the vendor in question to the Procurement Department to restrict this vendor from becoming an approved vendor for the District.

Management and Administration Response: Agreed with recommendation and incorporated into the CAP as activity seven (7).

Activity 7: Same as recommendation made.

Person Responsible: Principal

Status: Implemented

5

Subsequent Recommendation: Follow up with General Counsel and make determination on next course of action to take to recover public funds and/or further action against the vendor.

Management and Administration Response: Agreed with recommendation and incorporated into the CAP as activity seven (7).

Activity 7: Management placed the item on Board of Trustees Special Meeting Agenda dated December 18, 2018 for potential claim against the vendor. The Board authorized General Counsel to pursue a claim in the name of the District against the vendor for amounts owed to the District. We confirmed with the District's Police Services they opened a case late December 2018.

Person Responsible: Principal, Assistant Superintendent Secondary Schools Division, and General Counsel

Status: Implemented

Exhibit A – Summary of Original Investigation Report Findings

Finding	Summary Finding
1	An unapproved fundraiser was conducted since the required approvals were not obtained from the District's Financial Services Department. All fundraising activities must be approved to ensure they are accounted for in a consistent and comparable manner.
2	We confirmed the campus used an unauthorized vendor. Engaging with unauthorized vendors increases the risk campuses/departments receive substandard goods/services or incur financial losses due to undelivered goods/services.
3	Two cash payments totaling at least \$1,685 were made to the unauthorized vendor from funds collected directly from parents. Cash is susceptible to misappropriation if not adequately safeguarded. If cash is collected and not recorded in the District's accounting system, the risk of fraud or theft increases. In addition, little or no assurance that funds were properly accounted for can be provided to administration, parents, and students.
4	Two former hourly employees stated they spent time conducting activities related to the unapproved fundraiser on and off-the-clock. According to the hourly employees, the majority of the time spent on this unapproved fundraiser was on-the-clock and compensated as part of their normal workday.
Ancillary Finding 1	Cash payments made to the unauthorized vendor totaling at least \$1,685 have not been returned to the campus. If funds are not returned, the expense could be considered a gift of public funds since the unauthorized vendor did not deliver the sweatshirts.
Ancillary Finding 2	The former principal attempted to inappropriately use federal monies from the Army Youth Program in Your Neighborhood (AYPYN) project to pay for a second order of sweatshirts placed from an authorized District vendor.



EL PASO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Trent Hatch, Board President

Bob Geske, Vice President

Al Velarde, Secretary

Diane Dye

Mickey Loweree

Chuck Taylor

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

