

# Corrective Action Plan Follow-up Review: Federal Grants Controls Audit

Audit Plan Code: 22.21.FF



Assurance | Insight | Objectivity

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Final Follow-up Report  
July 31, 2023

Management implemented a corrective action plan (CAP) with nine (9) activities to address the findings, observations, and recommendations in the original audit report. As such, this report represents the close-out of this CAP.



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## Abbreviations

|       |   |
|-------|---|
| ARG   | Administrative Reference Guide                          |
| APM   | Administrative Procedures Manual                        |
| BEFM  | Budget & External Financial Management Office           |
| CAP   | Corrective Action Plan                                  |
| EDGAR | Education Department General Administrative Regulations |
| EPISD | El Paso Independent School District                     |
| FY    | Fiscal Year   |
| ICQ   | Internal Control Questionnaire                          |
| IIA   | Institute of Internal Auditors                          |
| OTE   | Office of Organizational Transformation and Equity      |
| TEA   | Texas Education Agency                                  |



# 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 Federal Grants Controls Audit Report to District management and administration on November 2, 2022. The [original audit report](#) is posted on the EPISD's website. We performed the audit as part of the Board-approved 2021-2022 and 2022-2023 Internal Audit Plans. The objective of the original audit was to determine if:

- The District's written policies and procedures for federal grant programs aligned with current EDGAR requirements,
- Documentation existed to support grant expenditures submitted to the state for reimbursement, and
- The District monitored entitlements to ensure funds were being spent timely, in their entirety, and if there was a follow-up process when targets were not met.

The scope of the audit was the District's federal grant policies and procedures and federal entitlement grant expenditures processed during FY 2021-2022.

Our audit found the District's written policies and procedures for federal grant programs aligned with the EDGAR requirements outlined in the TEA's Internal Controls Questionnaire. Overall, documentation existed to support federal grant expenditures submitted to the state for reimbursement. However, the District did not have an effective monitoring process to ensure entitlement (federal) funds were spent timely and in their entirety. As of October 5, 2022, the District had \$17.1 million (42%) unspent funds for seven (7) entitlement programs.

The original audit report included two (2) findings, three (3) observations, and eight (8) recommendations. For reference, a summary of the original audit report findings and observations is provided in **Exhibit A**. District management and administration agreed with our recommendations and developed a corrective action plan (CAP) with nine (9) activities.

## Objective and Scope

The objective and scope of this follow-up review were to determine whether management implemented the nine (9) CAP activities or took other actions to address the two (2) findings, three (3) observations, and eight (8) recommendations outlined in the Federal Grants Controls Audit Report.

## Methodology

To achieve our follow-up review objective, we:

- Held meetings and 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 |
|----------------|-------------|--------------------|
| 9              | 9           | Closed             |

Management implemented a corrective action plan with nine (9) activities to address the two (2) findings, three (3) observations, and eight (8) 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 all eight (8) recommendations in the original audit report and incorporated them into nine (9) CAP activities. The details of the nine (9) CAP activities, the person(s) responsible, and the action taken are outlined below.

### Activity 1 Implemented

The Office of Organizational Transformation and Equity (OTE), in collaboration with District leadership, will develop, document, and implement procedures to ensure program owners spend entitlement grants and monitor entitlement spending.

**Person(s) Responsible:** Director of External Funds and Fund Development

**Action Taken:** The OTE developed the "Procedures and Timeline for Federal Entitlements" document. The following sections are included in the document:

1. Compliance Requirements
2. Entitlement Programs Monitoring
3. Roles and Responsibilities
4. Spending Timelines
5. Process for Program Owners to Achieve Spending Goals
6. Process for Program Owners (spending targets not met)

### Activity 2 Implemented

OTE will train all entitlement program stakeholders on updated procedures.

**Person(s) Responsible:** Director of External Funds and Fund Development

**Action Taken:** Training was provided on the updated procedures during the Department Strategic Planning meeting on May 30, 2023. In addition, during the



Budget Development Workshops, content related to Strategic Planning and Federal Programs (including entitlement funds) was discussed with principals. Also, the OTE will discuss timelines and procedures during the training sessions they are planning to hold in July/August 2023.

### Activity 3 Implemented

OTE will develop and utilize a system/tool to monitor entitlement funds and report spending progress for the District as a whole and by initiative/program/campus/department.

**Person(s) Responsible:** Director of External Funds and Fund Development

**Action Taken:** Two dashboards are available to show the amended budget, percent spent, amount spent, and balance for District funds. Both dashboards allow for filtering and can present information for the District by entitlement fund and individual budget owner (department/campus). One of the dashboards provides a summarized breakdown per budget owner and fund. A periodic notification has been set up to send spending progress alerts/ messages to budget owners and people monitoring the funds (e.g., Federal/State Programs & Asst. Supt.). The other dashboard can provide more detail per individual account for each entitlement fund.

### Activity 4 Implemented

Budget and External Financial Management Office (BEFM) will revise the follow-up process for identifying incorrect allocations to include escalation steps when requests are not responded to in a timely manner.

**Person(s) Responsible:** Executive Director of Budget and External Financial Management

**Action Taken:** BEFM developed escalation steps for the reclassification of expenses when they are not addressed within a given timeframe.

### Activity 5 Implemented

BEFM will document revisions to the follow-up process in the BEFM standard operating procedures.

**Person(s) Responsible:** Executive Director of Budget and External Financial Management

**Action Taken:** BEFM documented the revisions (escalation steps) for the reclassification of expenses in their Administrative Reference Guide (ARG). The ARG revisions were presented to Leadership on April 5, 2023.

### Activity 6 Implemented

The Chief Financial Officer will review the District's current Framework with the Superintendent for formal adoption.

**Person(s) Responsible:** Chief Financial Officer, Business Services

**Action Taken:** The Superintendent formally adopted the ARG Framework on May 30, 2023.

## Activity 7 Implemented

OTE will include or reference all written federal procedures required by EDGAR, per the TEA's Internal Control in the OTE manual and/or Fund Development Manual.

**Person(s) Responsible:** Executive Director of Strategic Planning and Design

**Action Taken:** In lieu of including or referencing all written federal procedures required by EDGAR, the OTE decided to include a link in the EPISD Federal/State Programs & Fund Development Department Manual (May 2023) to the "EDGAR Materials and Resources Texas Education Agency." In addition, the manual references the District's Procurement Manual.

## Activity 8 Implemented

OTE will update, finalize, and submit the Fund Development and Partnerships Department Manual for approval.

**Person(s) Responsible:** Director of External Funds and Fund Development

**Action Taken:** The Superintendent signed the EPISD Federal/State Programs & Fund Development Department Manual. The manual was presented to Leadership on May 30, 2023.

## Activity 9 Implemented

OTE, BEFM, Academics, and School Leadership will establish minimum requirements and standard template(s) for supporting documentation for tutoring costs to build consistency.

**Person(s) Responsible:** Executive Director of Strategic Planning and Design

**Action Taken:** The OTE provided the "Tutoring Documentation and Standard Templates" document, which lists tutoring planning and tutor documentation steps. The document indicates some components will be finalized or updated in Fall 2023.

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## Exhibit A: Summary of Original Audit Results

| Finding | Summary Finding   |
|---------|---|
| 1       | The District does not have an effective monitoring process to ensure entitlement (federal) funds are spent timely and in their entirety. As of October 5, 2022, the District had \$17.1 million (42%) unspent funds for seven (7) entitlement programs. |
| 2       | Expenditures totaling \$1,466 were allocated incorrectly to a grant.  |

| Observation | Summary Observation  |
|-------------|--|
| 1           | The current EPISD's Administrative Reference Guide Framework ("Framework") was approved by the former Interim Superintendent on April 15, 2021. The "Approval" EDGAR requirement, which is part of the Control Activities section of the TEA's Internal Controls Questionnaire (TEA's ICQ), requires the Superintendent formally adopt the administrative procedures manual (APM). |
| 2           | The EDGAR requirements per the TEA's Correspondence Internal Controls Questionnaire were not outlined in one single EPISD manual; they were in several manuals.  |
| 3           | The EPISD has not established districtwide expectations (minimum requirements) for the documentation that should be maintained to support tutoring costs.  |

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



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