



THE DISTRICT

INTERNAL AUDIT OFFICE

MEMORANDUM

TO: Board of Trustees
Dr. Xavier De La Torre, Superintendent of Schools

FROM: Shinping “Champagne” Chyi, CPA, RTSBA, Internal Auditor 祁沁萍

DATE: June 19, 2018

SUBJECT: Audit Plan 2018-19

Objectives and Overview:

The decisive goals of our audit planning are to provide the greatest support to the superintendent and the Board of Trustees (BOT), in addition to establishing the internal audit function. Through our auditing we aim to:

- Provide fair, objective, and added value audit services;
- Achieve the District’s main objective, which is to better serve our students including their academic achievement;
- Implement and/or maintain effective and efficient operations such as cost savings and/or revenue enhancement;
- Ensure compliance with governing laws, regulations, and District board policies; and
- Strengthen the internal controls, and minimize the potential for abuse, waste, and fraud.

Audit Strategies:

- Trust but verify! Transform audit to a valuable opportunity for district improvement!
- Each audit will include a focus on gaining and/or updating a general understanding of
 - The division/campus/department/program and identifying critical business processes, work flow and internal controls;
 - Discrepancies or deviations of policy implementations among central office departments or campuses.
- Specific process/program review and detail testing will follow to assess the entity.
- Keep up with new technology and apply it to provide the best audit results.
 - As part of the data analytics process we will apply existing technology such as ACL software to examine transactions, spot trends, and identify any sign of potential risks. For example, a school used to deposit money on a weekly basis for all activity funds and suddenly the campus starts depositing the money every two months. This may indicate a risk of inappropriate usage of funds.
 - The traditional analytical review procedures will be continued to examine each audit project’s data in aggregate to see the trends as a whole.
- Our audit approach is a mix of virtual audit and continuous auditing.
 - Virtual Audit: Many audit work traditionally is done by field work visits. In order to reduce the time of fieldwork and to reduce the interruption of the auditee’s operations we will continue to utilize data analytics and analytical review procedures in the office.

- Continuous Auditing: Certain projects might be subject to a more frequent monitoring review in order to enhance our understanding of the processes and address some errors and anomalies promptly.
- Continue to have an open communication with the auditee throughout the audit project in order to ensure the accuracy and completeness of the audit.

Audit Cycle and Reporting: Texas Education Code §11.170 governs that internal auditor reports directly to the BOT. All audit reports with appropriate attachment(s) are issued on a weekly basis through the Friday (Thursday during summer schedule) package in a sealed envelope, to each BOT member and the Superintendent. Carbon copy is issued to the head of the auditee and supervising associate superintendent. The CFO is often included when part of the audit involves financial matters. When the matter requires administration (either by campus administrator or dept. director) to work on the issues, the initial audit report might be issued to the administrator. This will be included in the overall internal audit project tracking that is reported to BOT and the Superintendent on a monthly basis.

During our audit, we apply a prudent, legal, and cost effective philosophy (audit PLC) to ensure that all audit cases are treated fairly. To be diligent in providing accurate and complete audit reports and to be in compliance with the open record requirements (SB1854: Audit working papers – Exempt from open record request), our audit reports will be issued in the following timeline and structure.

- Initial audit report is issued when we finish the audit and includes the following:
 - Objective, overview, processes, structure of the audit project;
 - Summary of major process, financial transactions, audit results, and recommendations, if any. Unresolved audit findings are exceptions that have been worked on by internal audit staff along with the auditee staff throughout the audit process and could not be resolved.
 - Corrective action plan (CAP) due date – usually is the Monday following six weeks after the report is issued. This is the time frame for auditee to resolve or work out a new process to correct and prevent reoccurrence of the exceptions noted in the initial audit report.
 - Attachments: detail exception(s) noted are often presented to auditee (may include BOT) in attachments for auditee's utilization to either clear the exception(s) or prepare for a corrective action plan.
- CAP report: This report is issued after reviewing the corrective action plan provided by the auditee (the principal/director through supervising associate superintendent). This report summarizes the audit finding(s) and its correction or plan of action. There are three results:
 - Addressed: if the exception(s) has been resolved and verified.
 - Addressed or partially addressed pending verification: evidence of resolution is fully or partially provided however needs to be verified in follow up audit.
 - Not addressed: if the corrective action plan did not mention or provided evidence of resolution. The CAP report is usually issued within a week of receiving the CAP from auditee. Some times longer, if auditee request some reasonable extra time to work on the resolution.
- Follow up audit report: This is the last process of the audit project. It usually takes place about six months after the CAP and it is mainly to verify the implementation of the CAP. However, if the condition or situation of the auditee has been under or just gone thru restructuring, it will be delayed till a reasonable status is conceived. The report has the following information:
 - Summary of follow up audit results with status of addressed – no reoccurrence of similar transaction of prior finding or partially addressed – some area(s) still have exception(s). Sample size and area reviewed will be described in this section.
 - Conclusion of CAP implementation either effectively, partially effective or not addressed.
 - Recap of CAP summary: as a reminder of the audit history.
 - The closure of this audit statement. The audit result is taken into consideration for future audit plan.

Internal Audit Risk Assessment Process

Overview:

Internal Audit employs a risk-based methodology to identify the level of potential exposure that each department/school/program presents to the District from internal control, financial, operational, and technological perspectives.

Considerations in risk factor application include input from discussion with upper management, 2018-19 overall budget allocation and historical audit data.

Risk Factor Ratings: To ensure consistency of and objectivity in the risk planning process, a rating system is used within each of the risk factors. The following section describes the ratings in a chart format (where WI= weighted impact).

1	Regulatory / Legal Impact		
	Evaluation of the overall risk associated with compliance to the various regulations and legal risks that affect each of the areas under audit.		
	Description	Rating	WI
	Extensive Regulatory and/or Legal Risks	5	0.15
	Moderate Regulatory and/or Legal Risks	3	0.15
	Minor Regulatory and/or Legal Risks	2	0.15
	No Regulatory and/or Legal Risks	1	0.15
2	District Image/Reputation or Market/Participant/Customer Impact		
	Evaluation of the impact an audit area has from the perspectives of internal and external customers (e.g., employees, vendors, 3 rd parties, tax payers, etc.), participants and market risk. Is there a risk of losing tax payers, students or revenue, etc. due to adverse image and/or poor student/community relations?		
	Description	Rating	WI
	Significant impact to district image, customers, markets and/or participants	5	0.05
	Moderate impact to district image, customers, markets and/or participants	3	0.05
	Minor impacts to district image, customers, markets and/or participants	2	0.05
	No impact to district image, customers, markets and/or participants	1	0.05
3	Changes in Area /Management /Systems or district Processes		
	Evaluation of the stability of the audit area.		
	Description	Rating	WI
	Extensive changes in area	5	0.1
	Several major changes in area	4	0.1
	Several minor changes in area	3	0.1
	Limited changes in area	2	0.1
	No changes in area	1	0.1
4	Quality of the Internal Control System		
	Evaluation of the risk of not achieving the district's goals and objectives due to missing or inadequate controls.		
	Description	Rating	WI
	Little or no formal controls in place	5	0.15
	Controls in place but not formally documented or followed	3	0.15
	Formally documented controls (preventative, detective, monitoring) that support district objectives and are being followed	1	0.15
5	Time Since Last Audit		
	An indicator to determine when areas need to be reviewed. Areas audited more recently may not need the same level of coverage as those audited less frequently.		

	Description	Rating	WI
	> 7 Years or Never Audited	5	0.15
	4 – 7 Years	4	0.15
	2 – 4 Years	3	0.15
	1 – 2 Years	2	0.15
	< One Year	1	0.15
6	Financial Impact		
	Financial impact of normal operating budget values, potential losses in revenue (Federal, State, Local funding), potential extra cost.		
	Description	Rating	WI
	> \$1,000,000	5	0.2
	\$500,001 - \$1,000,000	4	0.2
	\$100,001 - \$500,000	3	0.2
	\$10,001 - \$100,000	2	0.2
	< \$10,000	1	0.2
7	Frequency/Complexity/Volume of Transactions		
	The amount of transactions/items/records processed/handled by the auditable unit.		
	Description	Rating	WI
	More than 5,000 transactions or high complexity of transactions	5	0.1
	1001 - 5,000 transactions or moderate complexity of transactions	3	0.1
	0 - 1000 transactions and low complexity of transactions	1	0.1
8	Last Audit Results		
	Indicator of whether deficiencies were addressed and procedures/process were working as intended.		
	Description	Rating	WI
	Finding not addressed	5	0.1
	Finding partially addressed	3	0.1
	No CAP is needed	1	0.1

Risk Assessment Rankings: Once all risk factors are assessed for each audit subject, a total sum is calculated as “Weighted Points”. These audit subjects are separated into five groups: high schools, middle schools, elementary schools, departments/programs, and new audit process. Each group is sorted by highest to lowest total Weighted Points and by highest to lowest “Non Salary % to Budget” amount then by “% Grand Total / Overall” (the percentage of grand total to overall total) for equal total weighted points. The final “Rank” is assigned in ascending order from 1 for the highest total risk points to the largest number for the lowest total weighted points for each group.

Audit Process and Scope:

We apply audit processes consistently to all cases. However, sometimes make adjustments to address specific audit situations and issues. We reviewed the audit strategies and related risk assessment to adjust our priority in auditing operational improvement, compliance reinforcement, cost analysis, and internal controls. We continue to focus on policy, procedure, program intent, data analysis, work process, and system support.

Since the property control officer position has been filled and the fixed assets policy and procedures are under redesign, we will wait for its full implementation to perform audit in fixed assets recording and physical existence except for audit projects of change of campus/department leadership. After a careful review of risk factors with my staff and feedback from upper management, the following is a summary of the audit focus, in order of importance (a list of tentative audit activities is attached for your reference):

1. Students Placement and Assessment Procedures Audit (SPAPA) including student credit redemption and recovery process: since our prior SPAPA audit, change in school accountability system and leadership turnover on many campuses, we have revamped our audit strategy and sampling to ensure compliance to new requirements. I had underestimated the complexity of data process and staffing needs. We only completed one of the three (3) portions and will continue to review and assess the remaining.
2. Construction and facility: The highest risk of the 2015 bond pertains to construction contract formation, compliance, and best practices to provide the best value for the district and tax payers. We will continue to work with external bond audit service Townsend Associates. The bond funded new staff auditor is getting acquainted and more familiar with construction process. She will be able to work with me more efficiently to audit highest risks projects in this category.
3. Program function audit: this audit will focus on reviewing high risk and/or high value areas of program services and compliances.
4. ADA verification: our focus will be on student coding accuracy, PEIMS indicators compliance, membership reconciliation accuracy and completeness and teacher progress in taking attendance timely. Our resources will be allocated to conduct an audit of all high schools, then middle school and two groups of elementary schools.
5. Cash management audit: due to the large amount of cash transactions from fundraising related activities the risk of mismanagement of funds is considered to be high. We have completed the review of all high schools, and will continue to review middle schools, and all elementary schools to evaluate the district wide cash management practices. Considering the large number of elementary schools, we will group them for 2nd and 3rd year audit. When special circumstances arise, priority will be adjusted to meet the needs.
6. Department/campus exit audit: we have been auditing campus, department and/or division when there is a change of leadership for principal or director and above positions. This audit does not duplicate the HR's employee separation process. This audit is designed to provide a status report pertaining to topics such as financial, program, and structure, etc., of the entity. It has provided a valuable opportunity to uncover the good practices, areas for improvements, and information for the transition. With the associate superintendents assisting school principals, we will perform this audit in conjunction with other audit projects to provide a concise update.
7. Hotline investigations: The hotline is a venue for concerned employees and tax payers to voice their concerns anonymously. Our process is to ensure the valid concerns are heard and addressed as much as possible.
8. Year-end warehouse inventory: This audit was initiated to assist the accounting department in ensuring the district warehouse inventory is properly accounted for.

Resources Allocation:

In addition to some routine activities such as supporting management and administrators at campuses, providing assistance or facilitating any issues to improve our district, and allocating time for staff development, our resources allocation for this coming school year is as follows:

- Total available working hours are 9,944 hours not including office secretary's hours with following distribution:
 - Auditing hours: 66% (6,563 hours).
 - Non direct audit hours: 17% (1,690 hours) for administrative such as in house training, project time sheet tracking, office organization, etc. A Three percent (280 hours), an average of 70% time off of ten (10) allowable days for illness or personal business is anticipated.
 - Professional development hours: 17% (1,690) for external professional training for the department members.
- Office secretary provides administrative supports such as office managing, proofreading, report distributing, scheduling, workpaper filing, etc.

Staff Development: We will continue to build up business knowledge and enhance our audit skills with relevant professional training. I plan to continue to

- Have a short but intensive staff meeting to train relatively new staff and intern on district policy and department function and processes.
- Provide and/or participate in audit skill and techniques training such as more advanced ACL training.
- Attend some of the TASBO certification courses and other audit and management training seminars.
- Utilize available on line resources to ensure that all members of this office are following local policy CFC (Local) that the practice of the internal audit office will be aligned to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and related auditing standards of the American Institute of Certified Public Accountants.

Plan of Communication: Open communication is very important to convey our audit process/progress. We will continue to provide additional reporting/communicating venue thru the Fraud, Abuse and Waste hotline, telephone number 915-595-4367, for the reporting of illegal or fraudulent acts, misuse or theft of district property or funds, and/or waste of funds. Below is the summary of hotline call's management:

- Document and analyze the secured phone message
- Apply the audit process to verify the reported case, with caution not to interrupt regular operations. Consult with the director of safety and security, if needed.
- Forward to the related responsible department head for further process. Summarize and notify related Associate Superintendent and Superintendent, if it is a major complaint. Expect a notice of results/action taken by the responsible party.
- Depending upon the issue, further investigation might be performed by Internal Audit Office.
- Provide a periodical summary report to the BOT/Superintendent.

I appreciate the opportunity to briefly present our function including the hotline at the new employee orientation. I will continue to work with all divisions to allow me to present our internal auditing function.

2017-2018 Audit Plan Status Summary: As of 6/8/2018, We have audited 51 projects last fiscal year. Weekly reports of completed audits during last fiscal year has been reported for your review. They are also available on district SharePoint.

In summary, we audited 31 campuses, 5 Academics, 5 Finance, 1HR, and 9 Operations including 5 bond projects.

There was a total of 40 HOT Line cases.

Internal Audit Staff Members:

Shinping "Champagne" Chyi, CPA, CIA, RTSBA, Internal Auditor

- Joined & reestablish the department in March, 2002

Education

- B.C. in Accounting from Soochow University, Taipei, Taiwan, Republic of China (R.O.C.)
- M.S. Information Systems from Northeastern University, Boston, Massachusetts
- Master of Science from Northeastern University, Boston, Massachusetts
- Completed courses for a Ph. D. degree program and passed the doctoral qualifying examination in both Operations Research and Computer Information Systems in 1991

Experience - Industry

- Auditor, PricewaterhouseCoopers L.L.P. Computer Assurance Services, Boston, MA.
- Internal Auditor, El Paso Energy Corp., El Paso, TX
- Private business consulting, tax return services since 1997 (limited CPA practice)
- Program Financial Manager, Model Institutions for Excellence (MIE), UTEP
- Accounting Manager, Finance Department, E & A Technology Inc., El Paso, TX (US subsidiary of a Taiwanese company, manufacturing computer cases)
- Chief Financial Officer, Southwestern General Hospital, El Paso, TX

Experience - Teaching

- Teaching & Administrative Assistant, Soochow University, Taipei, Taiwan, R.O.C.
- Lecturer & Teaching Assistant, Northeastern University, Boston, MA

- Part-time Lecturer, UTEP, EPCC
- Teacher and principal, Chinese Language for Pre-K and up, “El Paso” Ai-Hwa Chinese Language School, El Paso Texas (Courses are offered through UTEP Professional and Public Programs Department)

Diana D. Villegas, Senior Staff Auditor

- Joined the department: September 2016
- BBA in Accounting, UTEP
- About four years auditing experience with Lauterbach & Borschow Co., El Paso, TX

Grecia Coss, Staff Auditor II

- Joined the department: September 2017
- Masters in Accounting, UTEP
- About two years auditing experience with Lauterbach & Borschow Co., El Paso, TX

Vacancy, Staff Auditor I

Shennel Massey, Staff Auditor (Bond funded)

- Joined the department: February 2018
- Master of Business Administration, Liberty University
- Three years of auditing experience with First National Bank Texas, Killeen, TX
- One year of auditing experience with Fayetteville Tech Comm College, Fayetteville, NC

Student Interns (Part Time Auditor): Giannino Rodriguez and Daniel Bueno, Jr.

- Students of Accounting Dept., UTEP

Secretary: Dolores Santiago

- Joined the department in March 7, 2011.
- 12 years of office service support, in the Division of Academics.
- 2 years of clerical support at Ascarate Elementary in the library.

We thank all board members and the superintendent for your unconditional support by allowing us to establish and carry out our internal auditing function according to our policy and audit plan. I am especially grateful to staff members of all campuses and divisions participating and cooperating in our audit and review process. Please contact me at 434-0041 or email schi@yisd.net should you have any questions.

Note of 6/19/2018 Board meeting: The Board approved the 2018-19 Internal Audit Plan as presented above, with a supplement to be provided by the Internal Auditor with further narrative description of the risk factor ratings.

Group #		<i>Department / Campus & Program Audit Activity</i>	<i>Est. Hrs</i>
1.1		Student Placement and Assessment Procedures Audit (SPAPA)	28
1.2		2. EOC / IGC process	144
1.3		3. Credit Redemption	104
2.1		2015 Bond Construction / Technology Audit	1,492
2.2	62	Maintenance, work order process	240
2.3	60	Facilities and Construction services	240
3.1	55	TIS student info system	240
3.2	32	Risk Management: health benefits function	104
3.3	32	Risk Management: workers' comp function	144
3.4	42	Middle School Dept. exit	96
3.5	88	Pupil & Parent Services including Drop out program	96
3.6	86	A.R.E.A. dept. – Students assessment process	56
3.7	82	Federal & State Program	144
3.8		Executive Follow Up Summary: Pre-K schools Enrollment Process	72
3.9	89	Career and Technical Education	144
3.10	74	Teen Parent Program follow up audit	104
3.11	61	Child Nutrition Services follow up audit	32
3.12	47	Dyslexia follow up audit	48
3.13	11	Superintendent Office	96
3.13	10	Board of Trustees	40
3.14	65	Security & Safety Services follow up audit	68
3.15	83	Fine Arts Dept.	32
4.1		ADA/ PEIMS -11 HS	376
5.1		Cash Management -11 HS -YCLC (follow up)	176
5.2		Cash Management -11 MS	288
6		Campuses audit including change in higher administrator	1,062
7		HOT line investigations	96
8		Assist Accounting Dept. in year end -warehouse inventories	68
		Total 6,892 hours	
		Change in higher administrator exit audits and special audit requests (addition as needed)	1,062
6.0		Exit audits (estimates)	450
6.1	127	Capistrano ES	92
6.2	117	South Loop ES	84
6.3	124	Eastwood Heights	36
6.4	110	Marian Manor	36
6.5	002	EHS	44
6.6	046	YMS	44
6.7	003	PHS	44
6.8	123	Presa	36
6.9	103	Cedar Grove ES	36
6.10	133	Lancaster ES	36
6.11	104	Del Norte Heights ES	36
6.12	043	EMS	36
6.13	047	Valley View MS	52