



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

DATE: June 18, 2019

SUBJECT: Audit Plan 2019-20

Objectives and Overview:

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

Internal Audit Risk Assessment Process

Overview:

To develop a sound audit plan, 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, 2019-20 preliminary overall budget allocation, and historical audit data.

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 (5) groups: high schools, middle schools, elementary schools, departments/programs, and districtwide 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 one (1) for the highest total risk points to the largest number for the lowest total weighted points for each group.

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	Last Audit Results		
	Indicator of whether deficiencies were addressed and procedures/ process were working as intended.		
	Description	Rating	WI
	Finding not addressed	5	0.15
	Finding partially addressed	3	0.15
	No CAP is needed	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, taxpayers, etc.), participants and market risk. Is there a risk of losing taxpayers, 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: impact student & employee population of > 1,500 and amount > \$1million	5	0.1
	Moderate impact to district image, customers, markets and/or participants: impact student & employee population of > 1,000 and amount > \$500,000	3	0.1
	Minor impacts to district image, customers, markets and/or participants: impact student & employee population of > 500 and amount > \$250,000	2	0.1
	No impact to district image, customers, markets and/or participants: impact student & employee population of > 200 and amount > \$50,000	1	0.1
3	Changes in Area /Management /Systems or District Processes		
	Evaluation of the stability of the audit area.		
	Description	Rating	WI
	Extensive changes in area: Principal/Director/Student Info System/Financial System/Program change within 1 year	5	0.1
	Several major changes in area: Principal/Director/Student Info System/Financial System/Program change within 2 years	4	0.1
	Several minor changes in area: Principal/Director/Student Info System/Financial System/Program change within 3 years	3	0.1
	Limited changes in area: Principal/Director/Student Info System/Financial System/Program change more than 3 years	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: compliance related exception > 50%	5	0.15
	Controls in place but not formally documented or followed: compliance related exception < 50%	3	0.15
	Formally documented controls (preventative, detective, monitoring) that support district objectives and are being followed: compliance related exception < 1%	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	0.15
	1001 - 5,000 transactions or moderate complexity of transactions	3	0.15
	0 - 1000 transactions and low complexity of transactions	1	0.15

Audit Strategies: Internal Audit will utilize following auditing strategies.

- Trust but verify! Transform audit to a valuable opportunity for district improvement!
- Each audit includes 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; and
 - Identifying discrepancies or deviations of policy implementations among central office departments or campuses.
- Specific process/program review and detail verification will follow to assess the entity.
- Continue to utilize new technology to provide the best audit results including:
 - Continue the traditional analytical review procedures to examine each audit project's data in aggregate to see the trends as a whole.
 - Apply existing technology such as ACL software to perform data analysis such as examine transactions, spot trends, and identify any sign of potential risks.
- Our audit approach is a mix of virtual audit and continuous auditing.
 - Virtual Audit: Some audit work is traditionally done by fieldwork 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 Chief Financial & Operational Officer is often included when part of the audit involves financial matters.
- When the matter requires administration (by either 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:
 - The project's color legend and abbreviations.
 - 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 (6) 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 provide evidence of resolution. The CAP report is usually issued within a week of receiving the CAP from auditee, but sometimes 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 within six (6) months to a year after the CAP is issued 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 through restructuring, the follow up audit will take place when a stable status is reached. 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), or
 - Not Addressed – the CAP implementation showed no improvement.
 - 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 with prior related report issued date.
 - The closure of this audit statement. The audit result is taken into consideration for future audit plan.

Audit Process and Scope:

We apply audit processes consistently to all cases. However, sometimes adjustments are made 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.

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 with estimate audit hours is attached for your reference):

1. Construction and facility: We will continue to ensure the remaining 2015 bond audit pertains to construction contract formation, compliance, and best practices to provide the best value for the district and taxpayers.
2. Program function audit: this audit will focus on reviewing high risk and/or high value areas of program services and compliances.
3. 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.
4. 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.
5. 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.
6. Follow up of 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.
7. Hotline investigations: The hotline is a venue for concerned employees and taxpayers to voice their concerns anonymously. Our process is to ensure the valid concerns are heard and addressed as much as possible.
8. Overall teacher taking timely attendance analysis: This analysis is to assist campus administrator in monitoring teachers taking attendance timely to secure district funding and be in compliance.
9. Year-end warehouse inventory: This audit is to assist the accounting department in ensuring the district warehouse inventory is properly accounted for.
10. Purchasing EDGAR compliance: We will continue to provide a verification of EDGAR self-certification process for Purchasing Department for its Federal compliance requirement.

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 8,812 hours of myself and three (3) professionals (there will be no bond funded staff) and one and a half (1.5) part time college students, not including office secretary's hours with following distribution:
 - Auditing hours: 68% (5,992 hours).

- Non-direct audit hours: 15% (1,322 hours) for administrative such as in house training, project time sheet tracking, office organization, etc. A three (3) percent (256 hours), an average of 80% time off of 10 allowable days for illness or personal business is anticipated.
- Professional development hours: 17% (1,498 hours) for external and internal professional training for the department members.
- Office secretary provides administrative supports such as office managing, proofreading, report distributing, scheduling, workpaper filing, etc.

Staff Development: With this young new team, I plan to build up business knowledge and enhance our audit skills with relevant professional training as following:

- Schedule service excellent training and regular staff meetings to enhance teamwork and understanding of district policy, procedures and processes.
- Provide and/or participate in audit skill and techniques training such as more advanced ACL training.
- Provide budget to attend relevant TASBO certification courses and other audit and management training seminars.
- Utilize available online 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.

Communication Venues: Open communication is very important to convey our audit process/progress. We will continue to provide additional reporting/communicating venues through 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 calls 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.

2018-2019 Audit Plan Status Summary: As of 5/31/2019, we have audited 59 projects this 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 33 campuses, 6 Academics, 6 Finance, and 12 Operations (with 11 being bond projects), and 2 Superintendent.

There was a total of 34 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
- Principal and teacher, 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)

Fernando Ramirez, Staff Auditor II

- Joined the department: October 2018
- BBA in Accounting, UTEP
- BBA in Finance, UTEP
- About three years of auditing experience in public accounting with RPC CPAs, El Paso, TX
- About three years in governmental finance administration with the City of Anthony, NM

Giannino Rodriguez, Staff Auditor I

- Joined the department: July 2018
- Master of Accountancy, UTEP
- About two years auditing experience with Ysleta ISD, El Paso, TX

Octavio Bustillos, Staff Auditor I

- Joined the department: June 2019
- BBA in Finance, UTEP
- About three years auditing experience with US Dept. of Agriculture, Dallas, TX

Student Interns (Part Time Auditor): Daniel Bueno, Jr. and Marcela Castañeda

- Students of Accounting Dept., UTEP

Secretary: Dolores Santiago

- Joined the department: March 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 915-434-0041 or email schyi@yisd.net should you have any questions.

Group #	Dept #	Department / Campus & Program Audit Activity
		<i>Non audit hours summary (Administrative and Professional Development)</i>
1.1		Construction & Facilities: follow up on 2015 Bond Project Audits
1.2	62	Maintenance Services
1.3	26	Debt Service
2.1	82	Federal & State Program
2.2	41	Elementary School Dept.
2.3	50	Technology Information Systems
2.4	85	Innovative Learning
2.5	42	Middle School Dept.
2.6	88	Pupil & Parent Services including Drop out program
2.7	89	Career and Technical Education
2.8	61	Child Nutrition Services follow up audit
2.9	31	Security & Safety Services follow up audit
2.10	32	Risk Management: health benefits function follow up audit
3.1		ADA/ PEIMS - 13 HS
3.2		ADA/ PEIMS - 9 MS
4.1		Cash Management - HS Summary and Follow Up
4.2		Cash Management - 9 MS + YWLA
5		Change in higher administrator exit audits and special audit requests (addition as needed)
6		Student Placement and Assessment Procedures Audit (SPAPA)
6.1		. EOC / IGC process
6.2		. SPAPA follow up
7		F.A.W. investigation (Hotline)
8		Overall teacher taking attendance timely analysis
9		Assist Accounting Dept. in year end - warehouse inventories
10		Review Purchasing EDGAR Self Certification
		Total audit hours
		Change in higher administrator exit audits and special audit requests (addition as needed)
5.0		Exit audits (estimates)
5.1	74	Guidance, Counseling, and Student Advocacy Svcs. & follow up
5.2	75	Student Health Services
5.3	17	Associate Superintendent of ES II Exit & follow up
5.4	63	Operations Division COO Exit & follow up
5.5	127	Capistrano ES follow up
5.6	145	DVES follow up
5.7	109	Loma Terrace ES follow up
5.8	121	Mesa Vista ES follow up
5.9	116	Sageland ES follow up
5.10	134	Ysleta PK follow up
5.11	056	DVMS follow up & Exit Audit
5.12	014	CCA follow up
5.13	007	HHS follow up
5.14	003	PHS follow up
5.15	033	Plato follow up
5.16	048	Desert View MS

Group #	Dept #	<i>Department / Campus & Program Audit Activity</i>
5.17	042	Parkland MS
5.18	044	Riverside MS
5.19	130	Le Barron Park ES
5.20	142	North Star ES
5.21	132	Tierra Del Sol ES
5.22	131	Pebble Hills ES
5.23	117	Scotsdale ES