**TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED**

Austin, Texas

INTERNAL AUDIT ANNUAL REPORT

Fiscal Year 2021

**TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED**

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Internal Audit Annual Report

Fiscal Year 2021

TABLE OF CONTENTS

Page

Internal Auditor’s Report 1

Introduction 2

Internal Audit Objectives 3

I. Compliance with Texas Government Code, Section 2102.15: Required Posting of

Internal Audit Information 4

II. Consulting and Nonaudit Services Completed 4

III. External Quality Assurance Review 4

IV. Internal Audit Plan for Fiscal Year 2021 4-5

V. Executive Summary

Human Resources and Payroll

Background 6-8

Audit Objective, Scope, and Methodology 9-10

VI. Observations/Findings and Recommendations

Summary and Related Rating of Observations/Findings and Recommendations 11

Observations/Findings and Recommendations 12-16

VII. External Audit Services Procured in Fiscal Year 2021 17

VIII. Reporting Suspected Fraud and Abuse 17

IX. Proposed Internal Audit Plan for Fiscal Year 2022 17

Board Members and Audit Committee Members

Texas School for the Blind and Visually Impaired

Austin, Texas

We performed tests of management’s assertion about the effectiveness and efficiency of the Texas School for the Blind and Visually Impaired’s (TSBVI) internal control structure over the Human Resources and Payroll Area (Area) and its established policies and procedures, as applicable to the Area, for the purpose of determining TSBVI’s compliance with applicable sections of the State Auditor’s Office Texas Human Resources Management Statutes Inventory; and, the Texas Comptroller’s fiscal policies and procedures, for the 6 months ended February 28, 2021.

The results of our tests disclosed that TSBVI’s internal control structure over the Area and its established policies and procedures, were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters, included in this report, that are opportunities for strengthening internal controls and ensuring compliance with established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the “Summary and Related Rating of Observations/Findings and Recommendations,” which is included in page 11 of this report.

We also performed a follow-up of the finding and recommendation that was not fully implemented as of fiscal year ended August 31, 2020, and this report reflects the result and implementation status of our follow-up procedures performed; and, includes all information required for compliance with the State of Texas Internal Audit Annual Report requirements.

We have discussed the comments and recommendations from the audit of the Area; and, the implementation status from the follow-up performed, with various TSBVI personnel; and, we will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations made.



April 21, 2021

**TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED**

Internal Audit Annual Report

Fiscal Year 2021

INTRODUCTION

The Texas School for the Blind and Visually Impaired (TSBVI) is a state agency established under the authority of the Texas Education Code Chapter 30, Subchapter B; and, is responsible for:

1. Providing long-term and short-term programs to students 21 years or younger who require specialized or intensive educational or related services related to the visual impairment.
2. Developing and providing statewide services to parents of students with visual impairments, school districts, regional education service centers, and other agencies serving students with visual impairments. The services must include:
3. developing and providing training for and providing consultation to parents and educators;
4. developing and disseminating instruction-related reference materials;
5. providing information related to various educational resources;
6. operating lending program of educational and technological materials; and,
7. assisting teacher preparation programs.

TSBVI is governed by a 9-member Board appointed by the governor and confirmed by the senate. The Board consists of:

* 1. 3 members who are blind or visually impaired;
	2. 3 members who are working or have worked as professionals in the field of delivering services to persons who are blind or visually impaired; and,
	3. 3 members who are the parent of a child who is blind or visually impaired.

TSBVI’s mission is “to provide opportunities for children and youth who are visually impaired, including those with additional disabilities, to develop the skills necessary to lead vocationally, personally, and socially satisfying and productive lives.”

**2021 Internal Audit Plan**

Following is the internal audit and other functions performed, as identified in TSBVI’s 2021 Internal Audit Plan, dated October 20, 2020 and approved by the Board on November 20, 2020:

* Risk Assessment and Preparation of the 2021 Internal Audit Plan
* Human Resources and Payroll
* Follow-up of Prior Year Internal Audit
* Preparation of the 2021 Internal Audit Annual Report
* Other Tasks

This report contains the results of our audit of the Human Resources and Payroll Area; reflects the results of the follow-up procedures performed in the current year of the finding that was outstanding as of fiscal year ended August 31, 2020; and, meets the State of Texas Internal Audit Annual Report requirements.

INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of TSBVI’s system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes the following objectives:

* **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
* **Compliance with Laws, and Regulations, Policies, Procedures, and Contracts** – Review the systems established to ensure compliance with those laws, regulations, policies, procedures, and contracts which could have a significant impact on operations and reports; and, determine whether the organization is in compliance.
* **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
* **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
* **Achievement of the Organization’s strategic Objective** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

# Compliance with Texas Government Code, Section 2102.15: Required Posting of Internal Audit Information

To comply with the provisions of Texas Government Code 2102.015 and the State Auditor’s Office guidelines, within 30 days of review by the TSBVI’s Board, TSBVI will post the following information on its website:

* An approved fiscal year 2022 audit plan, as provided by Texas Government Code, Section 2102.008.
* A fiscal year 2021 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor as well as the summary of the action taken by TSBVI to address such concerns.

# Consulting and Nonaudit Services Completed

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards,* 2018 Revision, Sections 3.64 -3.106.

# External Quality Assurance Review

The internal audit department’s most recent *System Review Report*, dated November 16, 2018, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

# Internal Audit Plan for Fiscal Year 2021

The approved Internal Audit Plan (Plan) included one audit to be performed during the 2021 fiscal year. The Plan also included a follow-up of the finding that was not fully implemented as of fiscal year ended August 31, 2020, other tasks as may have been assigned by the Audit Committee or Board, and preparation of the Internal Audit Annual Report for fiscal year 2021.

**Risk Assessment**

Utilizing the information obtained through the completed questionnaires received and background information reviewed, 15 audit areas were identified as potential audit topics. A risk analysis, utilizing 8 risk factors, was completed for each of the 15 potential audit topics and then complied to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 15 potential audit topics identified:

| **HIGH RISK** | **MODERATE RISK** | **LOW RISK** |
| --- | --- | --- |
| Human Resources & Payroll Accounting & Financial Reporting1Information Resources (to include Disaster Recovery Plan)Purchasing/ P-Card/ Contract Management/ HUB | Residential ServicesSafety & SecurityTransportation/ Weekends Home | Assets & Facilities Management Admission & Records1Student Trust & Activity FundsHealth CenterGrants Administration1Outreach1Food ServicesSupplies Warehouse |

1 Includes applicable Performance Measures.

In the prior 3 years, the following internal audits and other functions were performed by other internal auditors:

Fiscal Year 2020:

* Public Funds Investment Act Compliance Audit
* Audit of Policy and Procedure for Reporting and Investigating Allegations of Student Abuse, Neglect, Exploitation, or Improper Care

Fiscal Year 2019:

None

Fiscal Year 2018:

* Public Funds Investment Act Compliance Audit
* Ethics Evaluation
* Follow-Up of Prior Year Audit Recommendations

The internal audit and other tasks performed for fiscal year 2021 were as follows:

|  |  |  |
| --- | --- | --- |
| **Report No.** | **Audits/Report Titles** | **Report Date** |
|  |  |  |
| 1. | Human Resources & Payroll*Objective*: To assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for the Human Resources and Payroll Area (Area); and, to ensure compliance with applicable state requirements. | 4/21/2021 |
| 1. | Annual Internal Audit Report – Follow-Up of Prior Year Internal Audits | 4/21/2021 |
| - | Other Tasks Assigned by the Board or Audit Committee | None |

# Executive Summary

**Human Resources & Payroll Area (Area)**

**Background**

The Human Resources (HR) and Payroll Departments are responsible for the HR and payroll functions at the Texas School for the Blind and Visually Impaired (TSBVI). The HR Department is supervised by the HR Director who reports to the Superintendent, and consists of an Employment Specialist, an HR Specialist, a Benefits Coordinator, a Training Specialist, and a Time and Leave (T&L) Specialist. The Payroll Department is supervised by the Accounting Director who reports to the Chief Financial Officer (CFO) and staffed by a Payroll Officer.

Since TSBVI is both a Texas school and a state agency, employees are classified as a Contract, a Non-Contract (state-classified), or a Substitute employee. Contract employees, which include principals, teachers, and counselors, are paid the salaries comparable to employees of the Austin Independent School District (AISD). Non-Contract employees are paid in accordance with the General Appropriations Act, and the State of Texas Salary Schedules for state employees. Positions of state-classified employees are established in accordance with the State of Texas Position Classification Plan that provides job classifications, salary groups, and salary schedules. Substitute employees are paid based on the substitute rates set by TSBVI.

TSBVI implemented the Centralized Accounting and Payroll/Personnel System (CAPPS) HR/Payroll module in July 2019, which resulted in significant streamlining of processes and migration to electronic records for the Area.

Hiring Process

*Job Posting*

When there is a need for an existing position to be filled or for a new position to be created, the hiring supervisor from the respective department initiates the requisition process by completing the Request to Post Job Vacancy form and submitting it to HR for processing. The form must be signed by the CFO and the Superintendent, denoting their respective approval, before the job is posted to the TSBVI website and the Texas Workforce Commission’s WorkInTexas portal. The HR Director and the Employment Specialist centrally manage job descriptions to ensure existing job descriptions are current and new job descriptions meet state classification requirements.

*Screening and Selection*

All applications are submitted either through WorkInTexas or sent to TSBVI, and must be first received and date-stamped by HR. The Employment Specialist prescreens applications and forwards all applications that meet minimum qualifications to the hiring supervisor. Before the selection process can begin, the hiring supervisor must first prepare the following evaluation forms:

* **Applicant Rating Plan (ARP)**: The ARP is a point-based evaluation matrix. It assigns weighted points for each evaluation criteria; such as, education and experience.
* **Interview Format**: This document lists interview questions to be asked of each applicant selected for an interview.

The hiring supervisor rates each application using the ARP to determine which applicants will be interviewed. All applicants with a score above a certain ARP score, as determined by the hiring supervisor after rating all applications, must be given an opportunity for an interview. All applicants interviewed are asked the same questions included in the Interview Format. The applicant with the highest overall score is generally selected; and, if not, the reason must be justified and documented. The hiring supervisor must also obtain at least one reference for the applicant recommended to be hired.

The hiring supervisor then prepares a selection packet, consisting of a *Hiring Recommendation and Approval* form, a Personnel Action Form (PAF) for hiring, and each applicant’s ARP, application, and any other required documents. The selection packet is forwarded to the department head for approval, and then to HR. Utilizing the Job Offer Checklist, the Employment Specialist performs a review and due diligence procedures; such as, ensuring the selection procedures were followed, and a background check through the Department of Public Safety (DPS) and the Texas Education Agency (TEA). The Hiring Recommendation and Approval form and the PAF are forwarded to the Superintendent for approval before the selected applicant is contacted by the hiring supervisor. TSBVI Board approval is required for hiring and renewal of contract employees.

*Onboarding*

Onboarding procedures consist of new employee “Sign-Up” for which a new hire must review and complete various forms and policy material; and, attend a New Employee Orientation (NEO). The hiring supervisor is responsible for ensuring that the new employee completes the new employee sign-up before starting the job, and attends the earliest NEO. The new employee will document the completion of required items by checking off the items listed in the NEO/Sign-Up Checklist. Benefits-related documents are forwarded to the Benefits Coordinator for processing. The Employment Specialist enters employee information into CAPPS, creates a hard copy personnel file, and is responsible for following up with the new employee for any missing HR-related documents. Subsequent to CAPPS implementation in fiscal year 2019, certain personnel file contents; such as, personnel information and payroll deduction elections are entered directly into CAPPS by the employee. Prior to CAPPS implementation, such information was maintained in a hard copy personnel file or the Benefits Coordinator would enter all benefits-related elections into applicable portals, on behalf of the employees.

Timekeeping Process

Timesheets for all employees are maintained in CAPPS. The majority of TSBVI employees are paid on an exception basis; therefore, employees are paid the same amount each month unless there is an “exception” to their pay; such as, leave without pay or an adjustment to the existing pay rate. All regular employees; that is, full-time, part-time, and contract employees, are responsible for entering time exceptions into CAPPS; such as, leave taken, and any hours worked outside of their respective scheduled work hours. For positions with shift differential pay, a unique work code is set up for each shift to ensure accurate time reporting. Substitute employees are responsible for entering their actual hours worked into CAPPS every day since they only work on an as-needed basis and do not have a work schedule. A manager needing a substitute employee completes the *Substitute Requester Form* to document the substitute use, which can be used by a supervisor to validate and approve the substitute’s timesheet. Timesheets in CAPPS must be certified by each employee and then approved by the respective supervisor each month. The T&L Specialist utilizes various CAPPS reports to ensure all timesheets are timely certified and properly approved.

Employee leave balances are tracked in CAPPS, which does not allow a leave entry to exceed the available balance. In instances when a leave entry exceeds the available balance, a Leave Without Pay entry must be entered. Certain types of authorized leave balances; such as, Performance Leave and Family and Medical Leave Act (FMLA) leave have to be manually entered into CAPPS by HR before an employee can make such leave entries into CAPPS.

Effective April 1, 2020, the Families First Coronavirus Response Act (FFCRA) required TSBVI to provide employees up to 80 hours of emergency paid sick leave and up to 10 weeks of emergency paid family and medical leave related to COVID-19, subject to a daily cap rate, depending on the reason the leave is taken. During the period from September 1, 2020 to February 28, 2021, TSBVI authorized a total of 956 hours of leave under FFCRA, of which 878 hours was actually taken by its employees.

Payroll Processing

Payroll is processed in accordance with the Texas Comptroller of Public Account’s (CPA) guidelines and pay schedules. Utilizing various checklists and desk aids, and working closely with the T&L Specialist, the Payroll Officer generates multiple CAPPS reports for a preliminary payroll file, to identify and eliminate all errors. The Payroll Officer transmits the final payroll file through the Standardized Payroll/Personnel Reporting System (SPRS) to be approved and released by the Accounting Director. Although the majority of employees receive their checks by direct deposit, there are a few that receive warrants on campus, for which paper documentation is maintained.

Performance Evaluation

In accordance with the Texas Education Code Sec. 21.203 and TSBVI Board Policies DNA and DNAA, employees are evaluated annually by their supervisor using the CAPPS performance appraisal system, which evaluates employee performance on job responsibilities based on predetermined criteria, and is electronically signed by both, the employee and the supervisor. Performance evaluations prior to CAPPS implementation are maintained in the employee’s personnel file.

Employee Separation

The supervisor for the employee separating from TSBVI completes a PAF for termination and submits it to HR. The HR Specialist notifies all relevant departments; such as, Information Resources and Security, of the separation. The supervisor completes the Termination Checklist to ensure all required information is obtained; such as, the separating employee’s contact information; and, that all School property is collected; such as, the employee’s ID and phone. Upon completion, the Termination Checklist is sent to HR. Employees that voluntarily separate from TSBVI’s employment are provided the opportunity to complete the State of Texas online exit survey. The T&L Specialist and the Payroll Officer coordinate to ensure an employee’s final payout is complete and accurate.

External Reporting

The Area is responsible for preparing and submitting various reports to external parties, with the majority of them being sent to the CPA and the State Auditor’s Office (SAO). Most reports are generated using data from CAPPS. In certain instances, the CPA directly extracts data from CAPPS, which is reviewed and certified by the Area. The Area’s reporting requirements are found in the SAO’s Human Resources Statute Inventory and the CPA’s FMX Texas Payroll/Personnel Resources website.

**Audit Objective, Scope, and Methodology**

**Objective**

The objective of our audit was to assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for the Human Resources and Payroll Area (Area); and, to ensure compliance with applicable state requirements.

**Scope**

The scope of our audit was the review of the Area’s policies, procedures, and processes in place; and, the testing of selected functions performed by the Area for compliance with established policies and procedures; and, applicable state requirements, during the period from September 1, 2020 to February 28, 2021 (audit period).

**Methodology**

The audit methodology included a review of laws and regulations; TSBVI’s established policies and procedures, other internal and external documentation; and, interviews with TSBVI personnel.

We obtained and/or reviewed the following information:

1. SAO’s *Texas Human Resources Management Statutes Inventory*, 2020-2021 Biennium; and, *Job Description Index* webpage.
2. CPA’s *Texas Payroll/Personnel Resource* (FPP F.027); fiscal year 2021 *Payroll Due Dates and Direct Deposit Schedule*; and, fiscal year 2020-21 *Reason Code Definitions, Restrictions and Salary Schedules for State Agencies*.
3. TSBVI Board Policy applicable to the Area.
4. Organizational charts applicable to the Area.
5. TSBVI’s written policies and procedures related to the Area.
6. Checklists; and, sample letter templates, forms, and screenshots
7. New Employee Orientation (NEO) packet.
8. TSBVI’s substitute pay rates and Austin Independent School District (AISD) pay plans for 2020-2021 school year.
9. Listing of active employees as of February 28, 2021.
10. Listing of employees separated during the audit period.
11. Selected employee personnel files, pay stubs, and the respective time sheets.
12. Benefits Proportional by Method of Finance Report (APS011) for fiscal year 2020 and its submission record and supporting documentation.
13. IRS Form 941 for the 4th Quarter of calendar year 2020.
14. Emergency Leave Reporting for fiscal year 2020 and submission record.

We performed various procedures to achieve the objective of our audit; to include, the following:

1. Obtained and reviewed the applicable state requirements as established by the CPA and the SAO.
2. Obtained and reviewed TSBVI’s Board Policy, written policies and procedures; and, conducted interviews to obtain an understanding of controls, processes and current practices in place over the Area. The procedure included a review of CAPPS timesheets to determine whether the control weakness over timekeeping for positions with shift differential, as identified by the fiscal year 2019 Post-Payment audit, has been addressed by the CAPPS implementation.
3. Selected 25 of the 453 active employees as of February 28, 2021, including 6 of the 26 employees hired or rehired during the audit period, and a certain pay period for each of the 25 employees, and performed the following procedures:
	1. Agreed gross salary as set up in CAPPS to the PAF.
	2. Ensured the employee’s base salary is within the range established in the Salary Group as determined by the fiscal year 2020-2021 Classification Salary Schedules or the AISD/TSBVI Pay Plan.
	3. Recomputed gross salary and agreed to the amount paid.
	4. Recomputed Longevity Pay and Benefit Replacement Pay based on the verified state service records.
	5. Reviewed the employee’s personnel files for the following contents, as considered applicable:
		1. PAF.
		2. Emergency contact.
		3. Application, ARP, Interview Format, reference, evidence of background check.
		4. Job Offer Checklist.
		5. NEO/Sign-Up Checklist.
		6. State Employment History & BRP Information form.
		7. Teacher service records or prior state service verification records.
		8. Performance evaluations within 1 year.
		9. Certifications and Transcripts.
4. For the 6 new hires from the above selection, performed the following procedures:
	1. Reviewed the employee’s personnel files and selection files to ensure the following documents were properly completed and retained:
		1. Job posting.
		2. Job description.
		3. *Request to Post Job Vacancy* form.
		4. Application, ARP, and Interview Format for unsuccessful applicants.
		5. Hiring Recommendation and Approval form.
		6. Hiring PAF.
		7. Employee Acknowledgement form.
	2. Reviewed employee’s application to ensure minimum qualifications were met.
	3. Compared TSBVI’s job description to the SAO’s job description to determine whether classification was proper.
5. Tested a sample of the following reports prepared and submitted by the Area and agreed them to the CAPPS and USAS supporting documentation: 4th Quarter 2020 IRS Form 941; and, Benefits Proportional by Method of Finance Report for fiscal year 2020.
6. Ensured the Emergency Leave Reporting for fiscal year 2020 was certified by the required due date.
7. Obtained a list of 64 employees that were separated from TSBVI during the audit period and selected a sample of 7 former employees to test for the following attributes:
	1. Final payout using the final timesheet and accrued leave balance at the time of the separation, was accurate.
	2. Termination PAF was prepared and approved.
	3. Termination Checklist was completed and retained in personnel file.
	4. Employee’s status in CAPPS was updated to inactive status.

# Observations/Findings and Recommendations

SUMMARY and RELATED RATING of OBSERVATIONS/FINDINGS and RECOMMENDATIONS

As TSBVI’s internal auditors, we used our professional judgment in rating the audit findings identified in this report. The rating system was developed by the Texas State Auditor’s Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings and recommendations included in this report and the related rating.

|  |
| --- |
| **Summary of Observations/Findings & Recommendations and Related Ratings** |
| **Finding No.** | **Title** | **Rating** |
| 1 | Use of Checklists | Low |
| 2 | Annual Performance Evaluation | Low |
| 3 | Employee Separation | Low |
| 4 | Longevity Pay | Low |
| **Observation No.** |  |  |
| 1 | Human Resources Written Procedures | – |
| Description of RatingA finding is rated *Priority* if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.A finding is rated *High* if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.A finding is rated *Medium* if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer programs(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.A finding is rated *Low* if the audit identified strengths that support the audited entity’s ability to administer the programs(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. |

OBSERVATIONS/FINDINGS and RECOMMENDATIONS

| **Report No.** | **Report Date** | **Name of Report** | **Observations/Findings and Recommendations** | **Fiscal Impact/** **Other Impact** |
| --- | --- | --- | --- | --- |
| 1 | 4/21/2021 | Human Resources and Payroll | 1. **Use of Checklists**

The HR Department has developed checklists for employee hiring, onboarding, and offboarding to ensure TSBVI complies with various requirements applicable to the Area; such as, employment eligibility and qualification; and, to document the completion of a review of such procedures. The Job Offer Checklist, NEO/Sign-Up Checklist, and Termination Checklist are completed by HR, new employee, and employee supervisor, respectively. However, our testing of 25 active employees as of February 28, 2021 and 7 employees separated during the audit period disclosed the following instances where checklists were not consistently utilized.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Number Tested | Not on File | Blank or Incomplete | Completed or Not Applicable |
| Job Offer Checklist |  |  |  |  |
| *FY21 New Hires* | 6 | - | - | 6 |
| *Hired Prior to FY21* | 19 | 2 | 4 | 13 |
| *Total* | 25 | 2 | 4 | 19 |
| NEO/Sign-Up Checklist |  |  |  |  |
| *FY21 New Hires* | 6 | - | 3 | 3 |
| *Hired Prior to FY21* | 19 | 3 | 4 | 12 |
| *Total* | 25 | 3 | 7 | 15 |
| Termination Checklist | 7 | 7 | - | - |

**Recommendation**We recommend that TSBVI develop a quality control procedure that will timely identify exceptions, and/or communicate and train new employee and department supervisors on the importance of completing such checklists. **Management’s Response**HR is working to update and streamline the use of the checklists. We have reminded management of the requirement to complete the Termination Checklist. | To ensure internal controls, as established by the Area, are operating efficiently. |

| **Report No.** | **Report Date** | **Name of Report** | **Observations/Findings and Recommendations** | **Fiscal Impact/** **Other Impact** |
| --- | --- | --- | --- | --- |
| 1 | 4/21/2021 | Human Resources and Payroll | 1. **Annual Performance Evaluation**

Board Policy DNAA requires that all noncontract staff receive a written job performance evaluation at least annually. Of the 25 active employees tested, 14 were required to receive an annual evaluation in which we identified 5 exceptions, since an evaluation was not available for our review. **Recommendation**We recommend that HR ensure all supervisors are aware of the requirement and establish internal controls to ensure performance evaluations are completed annually.**Management’s Response**HR has reiterated the expectation as part of the 2020-2021 performance evaluation process. The Superintendent has communicated her expectation as well. | To ensure compliance with TSBVI Board Policy DNAA. |
|  |  |  | 1. **Employee Separation**

Our testing of 7 former employees who separated from TSBVI during the audit period disclosed one instance where a former employee’s final salary payout was incorrect since they were paid for 8 hours of leave without pay, resulting in an overpayment of $142.86.**Recommendation**We recommend that TSBVI strengthen internal controls over final salary payout for separating employees; and, communicate with the Comptroller to determine if it can be recovered from the former employee.**Management’s Response**HR and Payroll will add a checklist item when an employee is leaving the school to ensure Payroll can recoup the overpayment the following month. This situation occurs when an employee leaves the school after final payroll, but before the end of the month. | Over-payment of state funds. |

| **Report No.** | **Report Date** | **Name of Report** | **Observations/Findings and Recommendations** | **Fiscal Impact/** **Other Impact** |
| --- | --- | --- | --- | --- |
| 1 | 4/21/2021 | Human Resources and Payroll | 1. **Longevity Pay**

In accordance with the Texas Government Code, Chapter 659, Subchapter D, eligible state employees, who have worked for the state for 24 months, are entitled to receive longevity pay each month, in addition to their base salary. Of the 25 active employees tested for proper pay, we identified one instance where an employee did not receive longevity pay as of December 2020, although this employee was hired by TSBVI as a substitute employee in November 2016 and became a full-time employee effective August 1, 2019. Since TSBVI is unable to determine the employee’s service credit during the substitute status, we were not able to determine whether the employee was eligible for longevity pay as of December 2020.**Recommendation**We recommend that TSBVI determine the employee’s eligibility and correct the issue(s) that caused the error, if applicable; and, compensate the employee for any underpayment.**Management’s Response**The employee identified has been paid for the missing longevity. After further audit and review, there appears to be an issue with CAPPS when an employee changes from an ineligible Business Unit (77101 - TSBVI BU Contract Staff & Subs) to an eligible Business Unit (77100 - TSBVI BU Classified Staff). Payroll has opened a ticket with CAPPS for their review and direction. | To ensure compliance with GV Chapter 659, Subchapter D. |

| **Report No.** | **Report Date** | **Name of Report** | **Observations/Findings and Recommendations** | **Fiscal Impact/** **Other Impact** |
| --- | --- | --- | --- | --- |
| 1 | 4/21/2021 | Human Resources and Payroll | OBSERVATION* + - 1. **Written HR Procedures**

Although HR has developed an extensive procedures manual that provides the purpose, scope, responsibilities, and detailed procedures, many sections of the written procedures have not been updated to reflect TSBVI’s current practices in place after the fiscal year 2019 migration to CAPPS. The current HR Director, who began employment at TSBVI in fiscal year 2019, initiated a comprehensive review and update of the written procedures; however, it is our understanding that the efforts were significantly hindered due to the COVID-19 pandemic taking priority.**Recommendation**We recommend that HR continue its effort in reviewing and updating written procedures and checklists to ensure they reflect the current practices in place after the migration to CAPPS.**Management’s Response**The HR Director is in agreement that updating the HR procedures remains a priority. | To ensure HR procedures are consistently followed. |

| **Report No.** | **Report Date** | **Name of Report** | **Observations/Findings and Recommendations** | **Status****(Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with explanation if not yet fully implemented** |
| --- | --- | --- | --- | --- |
| 1 | 4/21/2021 | 2021Follow-Up | Follow-Up of Prior Year AuditsFollowing is the status of the recommendation made in fiscal year 2017 that had not been implemented as of fiscal year ended August 31, 2020. TAC 202 Information Security (dated 4/29/2017)1. **Information Systems Security Policy & Procedures**

**Explanation of FY21 Status**TSBVI is in the process of updating the Information Systems Security Policy & Procedures with target completion date of March 1, 2022. | **Incomplete/Ongoing** |

#

# External Audit Services Procured in Fiscal Year 2021

TSBVI procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2021. No other external audit services were performed.

# Reporting Suspected Fraud and Abuse

TSBVI has provided information on their website home page on how to report suspected fraud, waste, and abuse to the State Auditor’s Office (SAO) by posting a link to the SAO’s fraud hotline. TSBVI has also developed the Board Policy DHF (Employment Standards of Conduct: Fraudulent Action Against TSBVI) that provides information on how to report suspected fraud, waste, and abuse to the Superintendent and/or the SAO.

# Proposed Internal Audit Plan for Fiscal Year 2022

The risk assessment performed during the 2021 fiscal year was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed fiscal year 2022. The Internal Audit Plan for fiscal year 2022 will be developed and presented to the Audit Committee and Board, for acceptance and approval, at a meeting to be determined at a later date.

* Accounting & Financial Reporting
* Public Funds Investment Act (PFIA) Compliance
* Follow-up of Prior Year Audits
* Other tasks as may be assigned by the Audit Committee or the Board during the fiscal year.