



SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT

5622 Ray Ellison Drive · San Antonio, Texas 78242 · (210) 977-7025 · Fax
(210) 977-7019

To: Ms. Sendejo, Interim Superintendent

From: Chad P. Doucet, Interim Chief of Staff

Date: January 14th, 2020

Subject: 2019 Report on Conduct of Audit Responses

The District's responses to the 2019 Internal Control and Other Matters are found below:

Internal Control and Other Matters:

General and Administrative Expenditures and Indirect Costs

School Districts in Texas are required to report all expenditures by function. A District may allocate payroll costs to the various functions as determined by a time study or other analysis. In prior years, the District reported all general administration and other intergovernmental expenditures in functions 41 and 99. These functional expenditures included indirect expenditures of other functions for the respective annual report. During the current year, the District modified the allocation of payroll costs for 19 positions that were previously charged to function 41 General Administration, in the General Fund; however, we were not provided with a time study of the various positions or any other such analysis to support the allocation. The allocated costs had the effect of reclassifying approximately \$650,000 from function 41 General Administration to other functions.

We recommend that the District perform a time study or other analysis to support the assignment of the affected positions to functions other than General Administration or that the District otherwise refrain from allocating general administration costs to other functions in future periods.

Response:

The Interim Superintendent, Interim Chief of Staff, Human Resources Director, Payroll Director, and Interim Director of Business and Fiscal Services in collaboration with Department Directors are in the process of analyzing positions by function in the current budget year and will reclassify positions to support the assignment of the affected positions to functions other than General Administration as needed and will continue to monitor positions as we develop the budget for FY 2020-2021.

Compliance with the District Investment Policy

The District's Investment Policy states that "no issuer of US Government Securities or Public Funds Investment Pool shall compose more than 50 percent of the District's investment portfolio", however as of yearend the District's investment in the Lone Star Pool comprised approximately 95% of the District's investment portfolio. We recommend that the District monitor its investments to ensure that no Public Funds Investment Pool

shall compose more than 50% of the District's Investment Portfolio as required by the District's Investment Policy.

Response:

The District Investment Officer(s) will immediately transfer assets between pools to insure that we are in compliance with required allocations. We will also perform a comprehensive investment policy analysis to ensure that the District's policy both supports and requires proper asset allocation. Specific to this finding, we will continue to monitor the investments of the District to ensure that no Public Funds Investment Pool shall compose more than 50% of the District's Investment Portfolio. The Investment Officer(s) in collaboration with the retained consultants will update the District's Investment Policy. We will present an updated draft Investment Policy to the Budget Committee at the next scheduled committee meeting which is to be determined.

Procurement of Purchases less than \$50K

The District requires a minimum of 3 quotes or the use of a purchasing cooperative for purchases less than \$50,000. However, in the procurement of a vendor for the promotion of District activities management did not ensure that the vendor and services were properly included in a purchasing cooperative and/or obtain 3 quotes as required. We recommend that the District ensure compliance with the District Operating Procedures which requires obtaining 3 quotes or the use of an approved purchasing cooperative for purchases between \$5,000 and \$49,999.

Response:

The Purchasing Director will monitor and ensure that all purchases less than \$50K are procured in accordance with Federal and State law and local policies. The Purchasing Department will ensure that all departments and personnel receive annual training on procurement procedures to prevent future occurrences. This training will be conducted annually during the Principals Academy as well as monthly meetings with Curriculum and Instruction staff.

Information Technology Strategic Planning and Risk Assessment

Current best practices recommend that an entity implement a strategic planning and risk management process that includes a steering committee responsible for reviewing and approving Information Technology (IT) plans and priorities. In addition, IT security policies typically require that all users are identified uniquely (i.e.; no shared IDs are used except for limited, read-only access, and that access rights of any generic IDs are limited). We recommend that the District establish a strategic planning and risk management process. The District should conduct regular risk assessments and continue the development of an IT security policy that defines information security objectives and documents security standards and procedures including the requirement that all users be identified uniquely.

Response:

The Technology department has a security policy in development to comply with state requirements.

Prior to the new state requirements, security standards already in place included password policies that required all staff to change their passwords twice yearly, as well as processes to maintain account security when staff left the district, limiting access to generic ID to specific machines (used for testing purposes or only at primary grade levels).

One of the biggest security changes moving forward will be to eliminate as many generic (classroom or testing) accounts as possible. This will be accomplished by allowing students at the primary level to log in to Chrome devices using a QR code that is unique to the user. All students in K-12 have had unique accounts for several years, however, at the primary

level, it is very time consuming for young children to log in with their full ID and password, which has led to the proliferation of generic accounts. We anticipate the QR code login will eliminate this challenge.

At the secondary level, where there were generic accounts for testing in labs, we are seeing widespread adoption of using student chrome devices for testing. By utilizing kiosk mode on Chrome devices, we eliminate the need for a universal log in for Windows devices.

Accounting for Capital Assets

The District purchases, builds and maintains numerous capital assets as reported in the financial statements. The District's capital assets should be accounted for in a timely and efficient manner to meet annual financial and reporting requirements, including tracking annual purchases and additions, and computing and tracking the associated depreciation of the capital assets. The District did not complete the accounting and reporting of its capital assets in a timely fashion which caused a delay in the audit process. In addition, under certain grant agreements the District is required to identify the funding source of existing capital assets as well as to document the existence and location through a physical count of the assets at least every two years. We recommend that the District develop a process to use the Skyward accounting system to track its capital assets as they are acquired to facilitate accounting and reporting of capital assets under generally accepted accounting practices. In addition, the District should initiate a physical count of the capital assets at least every two years.

Response:

The Chief Financial Officer, Purchasing Director and Business Office will develop a process to track its capital assets in the accounting system as they are acquired to facilitate accounting and reporting of capital assets under generally accepted accounting practices. The Business office will conduct or contract with a vendor to complete physical count of all capital assets at least every two years.

Immaterial Instances of Non-Compliance with State Requirements

State Allotment Expenditure Requirements

The District is required to annually spend between 52% and 58% of certain State allotments included in the State Foundation School Program (FSP) Summary of Finance on certain programs. The District is required to spend 52% on the State Compensatory Education; Bilingual Education and on Special Education; 55% on the Gifted and Talented and 58% on the Career and Technology programs. However, the District is estimated to have spent only 51.8% and 35.6% for the State Compensatory Education and Bilingual Education programs of the state allotment for the year ended August 31, 2019. The Texas Education Agency (TEA) monitors the expenditures on these programs over a three-year period and the District is able to include unallocated expenditures under Program Intent Code (PIC) 99 within the various expenditures used to meet the threshold for a particular program. We recommend that the District determine if allocation of certain PIC 99 expenditures can be assigned to the State Compensatory Education and Bilingual Education programs or otherwise ensure that the District meets the required expenditure levels on an annual basis.

Response:

The Business Office in collaboration with the specific departments will determine if allocation of certain PIC 99 expenditures can be assigned to the State Compensatory Education and Bilingual Education programs to ensure that the District meets the required expenditure levels on an annual basis.

Prevailing Wages Requirement on Construction Contracts

During the year, the District entered into construction contracts which were procured through government purchasing cooperatives. The purchasing cooperatives generally ensure that contract terms and conditions to awarded companies include terms, conditions and certifications which are meant to ensure compliance with the applicable laws and regulations; including the requirement for the payment of prevailing wages. However, the purchasing cooperatives recommend that the member districts “use an appropriate form of construction contract” as if the district procured construction services independently, using competitive sealed proposals. We recommend that the District utilize construction contracts which document the terms, conditions and certifications including specific documentation that provides a listing of the applicable prevailing wages on all construction contracts, whether procured through a purchasing cooperative or through other procurement methods.

Response:

In conversation with District staff, the auditors identified a job order contract with LMC for renovation projects at Athens Elem, Kazen MS, and West Campus HS which did not mention a prevailing wage requirement in the proposal. LMC was awarded a job order contract (JOC) by the TASB Buyboard purchasing cooperative. Vendors must certify in writing they are in compliance with the Davis-Bacon Act (40 U.S.C. 3141-3148) prior to award of a contract with a purchasing cooperative. The proposal submitted in conjunction with the renovation projects does not have a statement of compliance with “prevailing wage”. However, the contract documents available through the Buyboard purchasing cooperative certify compliance with the Davis-Bacon Act.

The Purchasing Director will ensure that all future construction or renovation contracts have required prevailing wage rates included in the contracts as required by law.