

# **Corrective Action Plan Follow-up Review: Concern of Misappropriation of Public Funds by a Substitute**



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## **Audit Plan Code: 18-21**

Fourteen of sixteen recommendations were implemented by management and administration to address the findings in the original investigation report. As such, this report represents the close-out of this Corrective Action Plan.



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## Follow-up Review

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## Abbreviations

CAP	Corrective Action Plan
HR	Human Resources
IA	Internal Audit
IIA	Institute of Internal Auditors
SVM	Substitute Verification Module
TEAMS	Total Education Administrative Management Solution
TS	Technology Services



## Background

As part of the reporting and audit process, the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, Performance Standard 2500 - Monitoring Progress, require we "...establish and maintain a system to monitor the disposition of results communicated to management." We comply with this standard through our Corrective Action Plan (CAP) follow-up review process.

Internal Audit conducted an investigation to determine the validity of a concern a substitute was inappropriately paid for substitute jobs accepted but not worked. We validated the concern based on evidence reviewed, and corroborated by statements provided by the substitute in question. See **Exhibit A** for Summary of Original Investigation Findings.

The original investigation report included one (1) finding, three (3) ancillary findings, one (1) observation, and 16 recommendations. District management and administration agreed with our recommendations and developed a CAP with 16 activities.

## Objective and Scope

The objective and scope of this follow-up review was limited to determining whether management and administration implemented the 16 recommendations outlined in the 16 CAP activities to address the one (1) finding, three (3) ancillary findings and one (1) observation in the original investigation report.

## Methodology

To achieve our follow-up review objective, we:

- Held meetings with persons responsible for carrying out the CAP activities.
- Reviewed supporting documentation maintained by management as evidence of completion of the CAP activities provided to Internal Audit.

## Inherent Limitations

This was a limited scope follow-up review covering only the 16 recommendations stated in the Objective and Scope section of this report. No representations of assurance are made to other areas or periods not covered by this follow-up review.

## Summary of Results

Our follow-up review found, of the 16 recommendations, 14 were implemented and two (2) were not implemented. For the first recommendation not implemented, management and administration implemented the activity that provided the stronger control by having substitutes swipe in/out for their job assignments. For the second recommendation not implemented, management and administration developed an alternate activity which included a preventive control in the TEAMS employee absence module. In addition, the newly established principal's verification of substitute jobs would serve as a detective control. This report represents the close-out of the CAP for the original investigation report.

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## Original Recommendations and Status of CAP Activities

The original recommendations, the CAP activities (response from management/administration), person(s) responsible, and the status of the CAP activities are outlined below.

1

Original Recommendation: Human Resources should take disciplinary action against the substitute in question for violating Board Policies DH (Exhibit) Educator's code of ethics and CAA (Local) which prohibits financial improprieties by employees.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity one (1).

**Persons Responsible:** Director Area Personnel & Recruiting, Human Resources

**Status:** Implemented

2

Original Recommendation: The Deputy Superintendent of Administration and Academics, in consultation with the Deputy Superintendent of Finance and Operations, General Counsel, and Chief of Police Services, should determine whether charges should be filed against the substitute in question and seek restitution of the misappropriated public funds.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity two (2).

**Persons Responsible:** Chief of Police, Police Services

**Status:** Implemented

3

Original Recommendation: The respective Area Superintendents, in consultation with HR, should determine the appropriate disciplinary action for the campus time keepers who inappropriately verified the jobs for the substitute in question.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity three (3).

**Persons Responsible:** Schools Division Area 1 Superintendent; Schools Division Area 2 Superintendent; and Schools Division Area 3 Superintendent

**Status:** Implemented

4

Original Recommendation: Human Resources should file a copy of this report, as well as results of management's decision for Recommendation #1 above, in the appropriate employee file as part of the employee's work history for the substitute in question.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity four (4).

**Persons Responsible:** Director Area Personnel & Recruiting, Human Resources

**Status:** Implemented

5

Original Recommendation: Due to the high rate (i.e. 83%) of verified and paid “no shows” noted during our investigation, we recommend HR analyze all verified jobs prior to the scope period for the substitute in question, consistent with the methodology used by Internal Audit in this investigation. Analysis results should be discussed with the appropriate District personnel to determine what follow-up is warranted.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity five (5).

**Person Responsible:** Director Area Personnel & Recruiting, Human Resources

**Status:** Implemented

6

Original Recommendation: Human Resources, Payroll, and respective Area Superintendents should consult with TS and Prologic to determine if it is feasible to enhance the TEAMS substitute verification process by including substitute swipes; this would entail for substitutes to swipe in and for their swipe to tie in to the TEAMS substitute verification process. This process should reduce the risk of time keepers inappropriately verifying substitute jobs.

- a. At a high level, the enhancement should allow the substitute swipes to be tied in to the related substitute job number and job location.
- b. During the verification process, only the substitute jobs that had a swipe tied in to it would be available for verification.
- c. Substitute jobs with no swipes would appear dimmed out, unavailable for verification, and would require follow up by the campus time keeper.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity six (6).

**Persons Responsible:** Payroll Manager, Financial Services; Executive Director, Financial Services; and Business Systems Manager, Technology Services

**Status:** Implemented

7

Original Recommendation: If Recommendation #6 above is not feasible, compensating/soft controls, such as a warning window prompt where time keepers would need to certify potential consequences for failing to verify substitutes attendance should be implemented.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity six (6). Because recommendation #6 was feasible, this recommendation did not need to be implemented.

**Persons Responsible:** Payroll Manager, Financial Services; Executive Director, Financial Services; and Business Systems Manager, Technology Services

**Status:** Not implemented

8

Original Recommendation: We recommend HR consult with TS to determine if it is feasible for TEAMS to prevent a substitute from accepting a substitute job after they have exceeded a preset number (determined by HR) of cancellations or no-shows.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity seven (7).

**Persons Responsible:** Director Area Personnel & Recruiting, Human Resources

**Status:** Implemented

9

Original Recommendation: We recommend HR include disciplinary action verbiage in the Substitute Handbook for excessive “no shows”.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity eight (8).

**Persons Responsible:** Business Systems Manager, Technology Services and Director Area Personnel & Recruiting, Human Resources

**Status:** Implemented

10

Original Recommendation: We recommend HR periodically monitor substitute “no shows” and cancellations, report and take disciplinary action when excessive cases are detected.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity nine (9).

**Person Responsible:** Business Systems Manager, Technology Services and Director Area Personnel & Recruiting, Human Resources

**Status:** Implemented

11

Original Recommendation: Payroll and HR should ensure the verification for substitute jobs is consistent with the time card approval process (which includes budget authority) that segregates the verification and approval responsibilities.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity 10.

**Persons Responsible:** Payroll Manager, Financial Services; Executive Director, Financial Services; and Business Systems Manager, Technology Services

**Status:** Implemented



12

Original Recommendation: An automated control should be implemented in the TEAMS employee absence module preventing teachers from requesting a substitute on staff development/teacher prep days when students are not present. Human Resources, Payroll, and respective Area Superintendents should consult with TS to discuss the elements of the automated control as noted below.

Such automated control would entail the calendar in the TEAMS employee absence module to mirror the approved District calendar. In addition, a business rule should be created within the TEAMS employee absence module where the "Substitute Required" field would be dimmed out on staff development/teacher prep days. This would reduce the risk of substitutes accepting a job, inappropriately being verified, and getting paid for development/teacher prep days.

**Management and Leadership Response:** Management and Leadership Response: Initially agreed with recommendation and incorporated into the CAP as activity 11. Subsequently, management determined there are instances when substitutes are required on staff development days (e.g. for long-term substitutes) and therefore the ability to request a substitute must remain an option.

Management and administration developed an alternate activity (CAP activity 12) which included a preventive control in the TEAMS employee absence module. The default setting for "Substitute Details" was set "No Sub Required" on staff development days, but would allow employees to change to substitute required if one was needed. In addition, the newly established principal's verification of substitute jobs would serve as a detective control.

**Person Responsible:** Payroll Manager, Financial Services; Executive Director, Financial Services; and Business Systems Manager, Technology Services

**Status:** Activity 11 Not implemented  
Activity 12 Implemented

13

Original Recommendation: We recommend Payroll determine the impact of similar instances across the school District by running a report to identify instances where substitutes were paid on staff development/teacher prep days. Results should be discussed with the Deputy Superintendent of Administration and Academics and Deputy Superintendent of Finance and Operations to determine if follow-up is warranted.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity 13

**Persons Responsible:** Payroll Manager, Financial Services; Executive Director, Financial Services; and Business Systems Manager, Technology Services

**Status:** Implemented

14

Original Recommendation: Payroll should determine whether the replacement substitute has received payment for the day worked. If this has not occurred, payment should be processed promptly.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity 14

**Person Responsible:** Payroll Manager, Financial Services and Executive Director, Financial Services

**Status:** Implemented

15

Original Recommendation: We recommend Payroll determine, based on the analysis performed by HR as part of Recommendation #5, whether other replacement substitutes need to be paid for jobs worked in lieu of the substitute in question.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity 15

**Persons Responsible:** Director Area Personnel & Recruiting, Human Resources; Payroll Manager, Financial Services; and Executive Director, Financial Services

**Status:** Implemented

16

Original Recommendation: We strongly recommend all employee groups be required to sign/acknowledge the District's Employee Handbook upon employment and on a yearly basis. We believe this will hold all employees accountable and help promote the District's strategic priority to Lead with Character and Ethics and expectations of Honesty, Integrity, Ethical, Transparent, and Effective Leadership.

**Management and Leadership Response:** Agreed with recommendation and incorporated into the CAP as activity 16

**Persons Responsible:** Director Area Personnel & Recruiting, Human Resources and Business Systems Manager, Technology Services

**Status:** Implemented



## Exhibit A – Summary of Original Investigation Findings

Finding	Summary Finding
<b>1</b>	The substitute in question misappropriated \$1,400 (gross amount) in public funds, including \$80 in federal funds. S/he accepted, but was a “no show” to 19 substitute jobs which were inappropriately verified by time keepers at 13 District campuses.
<b>Ancillary Finding 1</b>	There is a lack of segregation of duties in the substitute verification process. The campus time keepers have access to create, modify, delete, and approve substitute jobs. Campus time keepers (hourly employees) are being allowed to verify substitute jobs without subsequent approval by the campus budget authority (principal). Payroll will process payment for these jobs as if they had been approved by a budget authority. As such, campus time keepers are acting in the capacity of budget authorities that generally is limited to principals/directors and above.
<b>Ancillary Finding 2</b>	It appears a teacher who called in an absence (one of the 19 “no shows” in Finding mentioned above) on September 23, 2016, for a staff development/teacher prep day (no school for students), failed to click “No” on the “Substitute Required” field in the TEAMS employee absence module. As such, a substitute job was created, accepted by substitute in question, verified by the campus time keeper, and paid \$80 for that day.
<b>Ancillary Finding 3</b>	On October 5, 2016, a replacement substitute covered one of the 19 “no show” jobs for the substitute in question, and received no payment (\$40). Instead, the substitute in question was inappropriately paid for this job.
<b>Observation</b>	Currently, substitute teachers are not required to sign/acknowledge the District’s Employee Handbook like at-will non-contract employees.



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