



Investigation Report: Allegation of District Asset Misuse

ASSURANCE • INSIGHT • OBJECTIVITY

Final Report

Audit Plan Code: 20-00.04

A campus secretary gave a District-owned laptop to his/her daughter for personal and District use without the principal's knowledge or proper authorizations.



Investigation Report

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Abbreviations

EPISD	El Paso Independent School District
IA	Internal Audit
IIA	Institute of Internal Auditors
IT	Information Technology
PCM	Property Control Management
PCMM	Property Control Management Master File
PCTF	Property Control Transfer Form
P&SR	Procurement and School Resources
SOP	Standard Operating Procedures



Investigation Report

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We have completed the investigation of an allegation of a District asset misuse. According to the Institute of Internal Auditors' professional standards and related recommended guidance, Internal Audit should maintain an active role that relates to both promoting and assessing ethics throughout the District. The scope of Internal Audit activities, outlined in Board Policy CFC (Exhibit), include evaluating whether the actions of the District's employees comply with the District's policies, procedures, and applicable laws, regulations, and governance standards.

The Board of Trustees approved this project as part of the 2019-2020 Internal Audit Plan under the contingency category.

Allegation

The Internal Audit Department received a complaint through the Fraud, Waste, and Abuse Hotline alleging a campus secretary gifted a District-owned new Apple laptop to his/her daughter, also a District employee, which she used for personal needs.

Objective and Scope

The objective of the investigation was to determine the validity of the allegation and if it validated, to determine if the District asset was transferred according to District guidelines. The timeline of events approximately started in July 2019 when the campus secretary gave a laptop to his/her daughter, which was subsequently confiscated by Internal Audit on October 31, 2019.

Methodology

To achieve our objective, we:

- Reviewed relevant state laws, Board policies, and the Property Control Management Fixed Assets Procedures manual.
- Interviewed relevant EPISD personnel.
- Researched asset information in the Frontline Asset Management module.
- Contacted administrator(s) and staff in the Information Technology (IT) department.
- Contacted administrator and staff in the School Resources Department.
- Contacted the Title 1 Acquisition Coordinator in External Funding Department
- Contacted the daughter's supervisors in the District's central office.

Inherent Limitations

Because of the inherent limitations in a system of internal controls, there is a risk that errors or irregularities occurred and were not detected. Due professional care requires the internal auditor to conduct examinations and verifications to a reasonable extent.

Accordingly, an auditor is able to obtain reasonable, but not absolute, assurance that noncompliance or irregularities do not exist.

Conclusion and Results

We substantiated the allegation a campus secretary gave a District-owned Apple laptop to his/her daughter. However, the laptop in question was not a new device. The laptop was purchased with federal funds in 2013 to be used by the students at the specified site. However, according to the Assistant Director of Receiving

Procurement and School Resources, the laptop can be repurposed for general District use five years after the date of purchase.

Finding 1

The campus secretary admitted s/he gave a “surplus” campus laptop, on a “loan” basis, to his/her daughter, who is also a District employee working in the District’s central office. According to the secretary:

- S/he gave the laptop to his/her daughter so s/he could alleviate some of the daughter’s frustration with the computer device assigned by the department where she works.
- His/her daughter provides training to employees, and her assigned device was in “very poor working conditions.”
- The Apple laptop was going to be surplus, but s/he “kept [them] back.”
- S/he has access to surplus laptops as part of his/her duties related to tracking campus devices.
- S/he did not make the principal aware of the transfer until after Internal Audit (IA) began to investigate the allegation.
- S/he “loaned it to [daughter] without the proper paperwork.” The current District’s Property Control Management (PCM) Fixed Assets Procedures Manual allows for equipment to be transferred from one location to another or a surplus location. However, the site administrator would need to complete a Property Control Transfer form (PCTF) and submit it to the Procurement and School Resources (P&SR) Department so they can record and change the property responsibility or location in the Property Control Management Master (PCMM) file.

The daughter did not have the Apple laptop with her at work when Internal Audit (IA) first met with her on October 30, 2019. On October 31, 2019, the daughter delivered the Apple laptop and was interviewed by IA. According to the daughter:

- She received the Apple laptop from the secretary and had been using the laptop for about two or three months.
- She had the District’s IT department wipe (reimage) the Apple laptop so she could use it.
- She used the Apple laptop to conduct training as part of her job duties. She stated:
 - “We have trainings 3 days out of the week every week, I needed to have decent equipment to train.”
 - “We had been issued laptops a few years ago, but they are very outdated. One of my trainings I could not get my laptop to connect to the TV...”
- “There were a few times I logged in at home to create some El Paso Strong t-shirts.”
- She was going to return the laptop as soon as her assigned department provided a laptop she could use to conduct training. She also stated, “I was gonna be able to get it to [secretary] today, Thursday Oct. 31.”

Finding 2

An IT support employee, assigned to service Education Center staff, reimaged the campus laptop for the user (i.e., daughter) without a written service request or authorizations from the campus or IT personnel. Typically, service requests of this type are submitted, tracked, and assigned using the District’s Technology Support Request System (Zendesk).

Observation 1

According to the secretary, there have been times s/he has taken a campus laptop home to update the campus website. The District’s Administrative Reference Guide states, “hourly employees must be paid for any work taken

home. This practice is prohibited due to the inability to account for time....” According to the principal, s/he was not aware the secretary was performing such work at home.

Observation 2

The Property Control Management Fixed Assets Procedures Manual has not been updated to reflect current Board Policies, state and local guidelines, practices, and procedures.

Among one of its responsibilities, the Procurement and School Resources (P&SR) Department is responsible for tracking fixed assets with a unit value of \$500 to \$4,999.99 and updating the District’s Property Control Management Master (PCMM) file. Also, they maintain the District’s Property Control Management Fixed Assets Procedures Manual (PCM), which sets to provide guidelines for monitoring any changes affecting District property.

According to the new Assistant Director Receiving Procurement and School Resources (P&SR), who oversees the Property Control Division, “we are working on updating the manual and our website.”

Observation 3

The Apple laptop did not have an asset tag to identify it as federally-funded property. Having the proper asset tag could have alerted the secretary to follow the appropriate transfer and surplus procedures for federal-funded equipment. We could not determine if the Apple laptop had the federally-funded label at a point in time. According to staff in the P&SR department tasked to label such assets, they are using paper-based labels, which are less permanent than labels previously used.

Recommendations

The following recommendations are provided to administration to:

1. Address finding and observations to adjust controls as deemed necessary.
2. Ensure District guidelines, relevant to the results, are up to date and communicated to staff overseeing and/or performing related duties.

1

We recommend the principal:

- Evaluate whether the laptop in question can still be used by students or can be repurposed for general campus use. If it can’t be used, the principal should start the surplus transfer process to the P&SR department.
- Seek to obtain training from the Receiving Procurement and School Resources Department regarding the correct transfer and surplus procedures of locally and federally-funded equipment for any campus personnel involved in asset tracking and disposal.
- In consultation with Human Resources, determine the level of action warranted against the secretary for transferring a campus asset to his/her daughter without authorization(s) and for performing work at home, which is a violation of Human Resources Wage and Hour guidelines.
- Evaluate whether the secretary should continue to be involved in the tracking of campus assets.
- Implement controls to ensure the District’s assets assigned to his/her campus are used appropriately.
- Verify the accuracy of the listings for the equipment assigned to his/her campus at the interval(s) stated in the Property Control Management Fixed Assets Procedures Manual.

2

We recommend the P&SR department:

- Complete the updates to the Property Control Management Fixed Assets Procedures Manual promptly and notify campuses and departments of its latest updates, procedures, and forms.
- Determine whether the current tags used to identify federally-funded equipment are the best option for the entire lifetime of the asset until disposal.

3

We recommend the daughter's supervisors, in consultation with Human Resources, determine whether any action is warranted against the employee for using a campus asset without the proper level authorizations.

4

If not already developed, we recommend the Information Technology (IT) Department creates a Technology Support standard operating procedure, which requires support staff to perform support services after they have been properly requested, assigned, and approved through the District's Technology Support Request System (aka Zendesk).



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