



# Investigation Report: Allegation of Misappropriation of District Property

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## Final Report

Audit Plan Code: 20-00.15

We substantiated the allegation a principal took, for his/her personal use, property removed from a school during construction. However, the principal did not misappropriate the property since it no longer belonged to the District.



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## Abbreviations

EPISD	El Paso Independent School District
GC	General Contractor



# Investigation Report

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We have completed the investigation of an allegation of misappropriation of District property. 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.

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## Allegation

The Internal Audit Department received a complaint alleging a school principal had taken District property that was removed from the school during construction for his/her personal use.

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## Objective and Scope

The objective of the investigation was to determine the validity of the allegation and if validated, to determine whether misappropriation of District property had occurred.

The scope of the investigation was May 2019 to September 2019.

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## Methodology

To achieve our objective, we:

- Reviewed relevant Board policies,
- Reviewed the General Construction Agreement and related drawings,
- Interviewed relevant EPISD personnel, and
- Contacted the General Contractor's Project Manager overseeing the school's construction project.

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## 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.

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## Conclusion and Results

We substantiated the allegation that a principal took, for personal use, property removed from the school during construction. However, the principal did not misappropriate District property since the property no longer belonged to the District. In addition, the general contractor (GC) authorized the principal to take the items.

## Finding 1

There are no written procedures in place that disallow District employees from taking, for personal use, school property that was removed during the demolition phase of a construction project. Although it is not a violation for District employees to ask general contractors (GC) for school property that has been removed, it can create the appearance of misappropriation or a conflict of interest. Per Board Policy CHE(Local), "the implication from the appearance of a conflict of interest is just as important as the implication from an actual conflict. If an outside independent party might question the intent of a transaction or relationship, such transaction or relationship is deemed to impact the appearance of a conflict and therefore should be avoided."

The principal admitted to taking home six doors, a torn-up canopy, a bookshelf, and a clock that were removed from the school during the demolition process and were going to be disposed of by the GC.

- 1.1 Per the General Construction Agreement and related drawings, the GC legally owned these items after removing them from the school during the demolition process. Per the General Construction Agreement, Section 024119-Selective Demolition, "Demolished material shall be considered to be property of the Contractor (except for items noted in the [drawings]) and shall be completely removed from the job site."
- 1.2 According to the GC, the items in question had no value and were going to be disposed of regardless.
- 1.3 Per the principal, he/she asked if he/she could have a door that had been removed during the demolition process and was going to be disposed of by the GC. He/she stated that the additional five (5) doors were offered to him by the GC.
- 1.4 The principal asked a couple of staff members to help him load the items in his/her truck. According to the principal, these employees were already off duty when he/she asked for their help.

## Recommendation

The following recommendation(s) are provided to administration to:

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

We recommend Facilities and Construction to develop controls in the form of written procedures to address requests from District staff to general contractors for property that has been removed from a school, belongs to the general contractor and, will be disposed of by them during the demolition process.

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The written procedures should, at a minimum, define the following:

- Communicate expectations to District staff who will have contact with general contractors in regards to requesting items that will be disposed of by the GC.
- Determine if and when it is acceptable for District staff to request items that will be disposed of by the GC.



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