



Dallas Independent School District

Internal Audit Report

DISD Criminal History Background Checks Special Project

As of June 18, 2013

Criminal History Background checks for employees and contractors should be strengthened:

- Employee criminal history background check results are not reflected in Oracle.
- District does not have centralized consistent criminal history background check process.
- Service Contracts (P1-C's) do not address criminal background check requirements.
- Criminal history background checks are not consistently performed for Check Requests.
- Central Staff Contractors are listed as "Contractors" and "Employees" in Oracle.



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June 18, 2013

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Ladies and Gentlemen:

In accordance with the revised FY 2012-13 Audit Plan, pertaining to special projects, we have completed our initial limited scope examination of background checks. We reviewed background check processes in the following areas:

- Hiring of employees by HCM
- Vendors requesting to do business through the Purchase Order process
- Central Staff Contractors
- P1-C Service Contracting
- School and Community Relations

Some vendors/contractors operating under a P1-C service contract (small contracts up to \$10,000) have not obtained the criminal history background checks as required by district policy. In addition some staff members were hired without having the background check cleared field updated in Oracle.

Our findings and recommendations were discussed with management. We have included the responses from management addressing our findings and recommendations. We would like to thank management for the cooperation and courtesies extended to our staff during the conduct of this audit.

Sincerely,

Alan King, CPA

Interim Chief Internal Auditor

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EXECUTIVE SUMMARY

Based on our limited scope audit of district criminal history background checks, we reviewed the following the following as of May 31, 2013:

- Employee criminal history background checks as documented in Oracle
- Vendors contracting through the Procurement/Contract Purchase Order process
- Contractors procured by Central Staff
- Contractors entering through the P1-C (Service Contracts) process
- Individual entering the district through the School and Community Relations process

Our limited review of the above areas identified the following findings:

- Employee criminal history background check results are not reflected in Oracle.
- District does not have centralized consistent criminal history background check process.
- Service Contracts (P1-C's) do not address criminal background check requirements.
- Criminal history background checks are not consistently performed for Check Requests.
- Central Staff Contractors are listed as "Contractors" and "Employees" in Oracle.

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with the revised FY 2012-13 Audit Plan pertaining to special project audits, we have completed our initial limited scope examination of the district's criminal history background check process implemented as of May 31, 2013. The initial examination was focused on criminal history background checks for district vendors and contractors. Subsequently the review was extended to employee criminal history background checks status for 2012 and 2013 through 05/15/2013.

The purpose of this limited scope audit was to determine the adequacy of controls over and the implementation of the district's criminal history background checks for district employees and vendors.

RESULTS

FINDINGS AND RECOMMENDATIONS

1. Employee criminal history background check results are not consistently reflected in Oracle

Between 01/01/2012 and 05/15/2013 Oracle reflected 138 employees as not having criminal history background checks performed.

Recommendation:

1.1 Human Capital Management (HCM) should verify that criminal history background checks have been performed on all employees including the 138 employees tested. The status of the criminal background checks should be reflected as appropriate in Oracle. Further, HCM should implement a control to ensure criminal history background checks are performed on all new hires and the results reflected in Oracle on a consistent and timely basis.

Management Response

Description of corrective action:

The background special information types (SIT) will be populated at the time of hire. A monthly audit of the SIT will be performed to ensure accuracy.

Timeline for implementation:

This change is effective immediately.

Identification of specific staff member(s) responsible for implementing correction action(s):

All members of staffing in conjunction with the background team.

2. The District does not have a centralized consistent criminal history background check process for non-bidding service providers

DISD Policy CH (Local) – X (Purchasing And Acquisition) states that all vendors will obtain criminal history record information that relates to an employee, applicant for employment, or agent of the contractor or consultant if the employee, applicant, or agent has or will have continuing duties related to the contracted services: and the duties are or will be performed on school property or at another location where students are regular present. The contractor or consultant shall certify to the District before beginning work and at no less than an annual basis there that criminal history record information has been obtained. However, the District does not have a centralized criminal history background check process for non-bidding service providers.

Recommendation:

2.1 Procurement should develop and implement procedures to ensure compliance with DISD Policy CH (Local) –X pertaining to criminal history background checks. The criminal background checks

should be invoked during the initial vendor setup process. These procedures should include but not be limited to the following:

- Obtaining criminal background certifications during initial setup
- Follow-up and verify applicable re-certifications have been obtained
- Documentation of the certification status in Oracle

Management Response

Procurement Services does not manage or control the vendor setup process or vendor database in ORACLE.

Description of corrective action: *Criminal Background checks for a person(s) performing services on District property are required on ALL service contracts whether the service requires a formal procurement or not. Each service contract with a vendor may require different employees of the vendor; therefore, a criminal background check is required for each employee rather than the vendor. A copy of the criminal background check is included in each contract for each employee providing service to the District.*

Timeline for implementation: *The inclusion of the required criminal background check with ALL contracts was implemented on April 3, 2013 and is ongoing.*

Identification of specific staff member(s) responsible for implementing correction action(s): *All Procurement Services staff members are responsible for their areas to verify that a contract(s) for service has included a criminal background check for each person providing service prior to working.*

3. Service Contracts (P1-C's) do not address background check requirements

Form P1-C is to be used for all service contracts including consulting agreements up to \$10,000. The contract requirements and instructions for completing the P1-C (Service Contract) do not address criminal history background check requirements. In addition, the white copy of P1-C's are not consistently routed to Purchasing.

Recommendation:

3.1 Procurement should undertake responsibility and oversee the replacement of the current manual P1-C with an electronic version that can be completed and routed online to ensure criminal background check certification and consistent proper authorization. Since P1-C's has to be signed by the vendor, a signature page could be developed and attached to the electronic version.

Management Response

Description of corrective action: *P1-C contracts are for services up to \$10,000. Criminal Background checks for a person(s) performing services on District property are required on ALL service contracts whether the service requires a formal procurement or not and for any dollar amount. Each service contract with a vendor may require different employees of the vendor; therefore, a criminal background check is required for each employee rather than the vendor. A copy of the criminal background check is included in each vendor contract for each employee providing service to the District prior to working. P1-C contracts are to be completed with signatures, resumes and criminal background checks and attached to the purchase requisition in ORACLE for routing through the approval process.*

Timeline for implementation: The inclusion of the required criminal background check with ALL contracts was implemented on April 3, 2013, and is ongoing.

Identification of specific staff member(s) responsible for implementing correction action(s): All Procurement Services staff members are responsible for their areas to verify that a contract(s) for service has included a criminal background check for each person providing service.

4. Criminal History Background checks are not consistently performed for Check Request related services

Services performed resulting in check request may bypass criminal history background check requirements.

Recommendation:

4.1 Accounting Services should eliminate the use of Check Requests for services rendered. If check requests are required for services, they should be requested and approved prior to services rendered and used in conjunction with the updated electronic version of the P1-C mentioned in recommendation 3.1 above.

Management Response

Description of corrective action: Until an electronic P1-C form becomes operational, A/P will closely monitor all service related check requests and refrain from processing any that do not contain an approved P1-C form in the supporting documentation.

Timeline for implementation: September 1, 2013

Identification of specific staff member(s) responsible for implementing correction action(s): Cary Newsome

5. Central Staff Contractors are listed as “Contractors” and “Employees” in Oracle

Oracle has two levels of classifying a person. One is a “System” person type, and the other is a “User” person type. The only two “System” person types are “Employee” and “Ex-Employee”. Because Oracle does not know how each organization will classify an employee, it provides a setup screen to allow the creation of many “User” person types including “Contractor”. This arrangement allows for a person to simultaneously be an “Employee” and “Contractor”.

Recommendation:

5.1 Human Capital Management (HCM) should facilitate clearly separating the designation of “Employee” from “Contractor” in Oracle. HCM should also ensure background checks are performed on both as required by district policy.

Management Response

Description of corrective action:

Human Capital Management will work with the IT department and purchasing to clean the current data in the system. Another employee type cannot be created if the contractor needs access to our systems. The only other person type that could be used would be External, but if a contractor needs to enter transactions or do any type of approvals they need to have a person type of Employee. If the contractor does not need these permissions, the External person type can be used.

Timeline for implementation: September 15, 2013

Identification of specific staff member(s) responsible for implementing correction action(s):

Tambria Barnes, Frank Tyminski, Monica Moffitt, Judy Kunhardt, and Carmen Darville

CONCLUSION

Procedures are needed to ensure criminal history background checks for all vendors, employees and contractors are performed, remain up-to-date and documented in Oracle.