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# Houston Independent School District Internal Audit Report: Employee Terminations

June 11, 2024





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## TRANSMITTAL LETTER



September 9, 2024

The Audit Committee of  
Houston Independent School District  
4400 W 18<sup>th</sup> St.  
Houston, Texas 77092

Pursuant to the approved internal audit plan for fiscal year ("FY") 2024 for Houston Independent School District ("HISD"), we hereby submit the internal audit of the Employee Terminations Process. This internal audit focused on the employee termination process, which encompassed the examination of policies, procedures, and adherence to established protocols for both at-will and contracted employees within HISD. We plan to present this report during the next Audit Committee meeting on July 30, 2024.

Our report is organized into the following sections:

<b>Executive Summary</b>	This provides a high-level overview and summary of the observations noted in our internal audit of the employee termination process(es).
<b>Background</b>	This provides an overview of the function and relevant background information.
<b>Objectives and Approach</b>	The internal audit objectives are expanded upon in this section, as well as a review of the various phases of our approach.
<b>Observations Matrix</b>	This section includes a description of the observations noted during our internal audit and recommended actions, as well as Management response, including responsible party, and estimated completion date.
<b>Process Maps</b>	This section provides a visual depiction of the workflow of key processes.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

*RSM US LLP*

**Internal Audit**



## Executive Summary

### Houston Independent School District – Employee Terminations

#### Human Resources Overview



#### Employee Terminations Metrics <sup>A</sup>

Employee Turnover Rate	22%
Voluntary Terminations	50%
Involuntary Terminations	50%

#### Background

The Human Resources Department (HRD) functions as a component of the nation's eighth-largest public school district, Houston Independent School District (HISD). Within the HRD, the Employee Relations Department operates as a subset specifically responsible for overseeing and executing the employee termination process.

Governed by District-wide policies, this function aligns with guidelines outlined in the Texas Education Code. The termination process strictly adheres to policies governing employee relations at both the State and local levels for all HISD campuses.

#### Internal Audit Objectives

The objective of this internal audit was to evaluate the design and control structure, including adherence to policies, procedures, and relevant laws and regulations for the operating effectiveness of HISD's employee termination process. In-scope areas include, but may not be limited to, completeness and adequacy of documentation and records to support the termination process, including any checklists utilized by management to process separations; accuracy and timeliness of final employee payroll; revocation of access to HISD facilities and IT applications; exit interview processes, and adherence to applicable policies and regulations.

The primary objective of the internal audit was to evaluate the design and operating effectiveness of controls surrounding HISD's employee terminations process. Our procedures included:

- Evaluated the adequacy and accessibility of policies, standard operating procedures, and state and local requirements related to employee terminations.
- Confirmed that requisite documentation was completed and maintained for both voluntary and involuntary separations.
- Examined the promptness of removal from the payroll application, physical access to HISD facilities, and system access for terminated employees.
- Reviewed the timeliness of removal from benefits programs (401K, health insurance, etc.).
- Assessed the punctuality of benefits letters (COBRA letter, etc.) sent to employees, confirming compliance with federal, state, and local labor laws.
- Verified the precision of the final payroll calculation for terminated employees, inclusive of vacation and leave balances.

At the conclusion of this internal audit, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel and have incorporated Management responses into this report.

<sup>A</sup> For the period of July 1, 2022, to December 31, 2023



## EXECUTIVE SUMMARY (CONTINUED)

### OBSERVATION SUMMARY

Provided below are the observation risk rating definitions for the detailed observations.

Observation Risk Rating Definitions	
Rating	Definition
<b>Low</b>	Observation presents a low risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals. Action should be taken within 12 months (if related to external financial reporting, mitigate financial risk within two months unless otherwise agreed upon).
<b>Moderate</b>	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be taken within nine months (if related to external financial reporting, must mitigate financial risk within two months).
<b>High</b>	Observation presents a high risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately, but in no case should implementation exceed six months (if related to external financial reporting, must mitigate financial risk within two months).



## EXECUTIVE SUMMARY (CONTINUED)

### OBSERVATION SUMMARY

Below is a summary listing of the observations identified during this internal audit. Detailed observations are included in the observation matrix section of the report.

Observation Summary	
Observations	Rating
<p><b>1. Terminated Employee Final Pay Calculation</b>  <i>Condition:</i> One terminated employee's final pay calculation was inaccurate, resulting in an overpayment of ~\$20,500.  <i>Recommendation:</i> Implement a review procedure for final pay calculations before distributing final paychecks to terminated employees.</p>	<b>High</b>
<p><b>2. Property Return Process for Terminated Employees</b>  <i>Condition:</i> HISD lacks a centralized policy and standardized process for validating the return of HISD-owned equipment upon employee termination. This results in inconsistent tracking and verification, increasing the risk of lost or unreturned equipment and unauthorized access to HISD systems.  <i>Recommendation:</i> HRD should implement a centralized procedure and checklist to validate the return of HISD equipment and completion of key termination tasks upon employee departure.</p>	<b>Moderate</b>
<p><b>3. Removal of Terminated Employee from Payroll Application</b>  <i>Condition:</i> Terminated employees were not being promptly removed from the SAP payroll system, with delays of 2 to 14 weeks identified in 4 out of 25 sampled cases.  <i>Recommendation:</i> Payroll should generate a monthly report of employees with no recorded work hours in the past 60 days, and functional leaders should validate their employment status. HRD should implement a standardized checklist for terminations, including system access revocation, equipment collection, final payments, and documentation.</p>	<b>Moderate</b>
<p><b>4. Removal of Terminated Employee from SAP and Physical Access Not Restricted</b>  <i>Condition:</i> HISD lacks defined timeframes for removing terminated employees' access. Our review found that 4 out of 9 involuntarily terminated employees retained access for 1 to 14 weeks, and 1 out of 16 voluntarily terminated employees retained access for 4 weeks post-termination.  <i>Recommendation:</i> Establish a policy requirement that specifies timelines for removal from systems and implement a process to monitor user activity and workforce engagement to identify inactive employees who may need to be terminated from systems.</p>	<b>Moderate</b>



## BACKGROUND

### Overview

#### Human Resources Department Overview

The HRD is responsible for recruiting, hiring, and onboarding employees, verifying they are well-equipped and informed to start their roles. Furthermore, the HRD handles payroll management, administers employee benefits programs such as health insurance and retirement plans, and develops policies and procedures to maintain a safe, healthy, and fair workplace. They also engage in strategic planning to align the workforce with the organization's goals, working to retain talent through engagement initiatives and career development opportunities. The HRD at HISD consists of sub-departments that help drive these responsibilities. Within the HRD, the Employee Relations Department (ERD) is responsible for facilitating employees' adherence to established professional standards of conduct with the goal of creating a healthy organizational culture while maintaining the safety of HISD students and staff. Additionally, the ERD oversees the employee termination process, with additional assistance from the Payroll Department (PRD).

#### The Payroll Department Overview

The PRD serves as a function of the HISD Controllership within the Controller's Department. PRD processes payroll every other week for HISD and is responsible for direct deposits, garnishments, teacher union deductions, approved stipends, and late time correction payments for all HISD employees. As such, the PRD's function as it pertains to the employee termination process is essential.

#### Department Cooperation Overview

Collaborative efforts between the HRD, PRD, Benefits Department, and the respective department or school of the terminated employee aim to prevent the receipt of inaccurate compensation, unnecessarily high turnover, and unauthorized access to systems or physical locations. Additionally, the departure of employees triggers replacement costs, impacting budgetary allocations and necessitating careful financial planning to manage workforce changes effectively. The reassignment of duties to existing staff creates additional strain until vacant positions are filled. HISD is committed to obtaining the reasons for involuntary separation of employee terminations to adhere to federal, state, and local regulations. HISD obtains and retains the reasons for involuntary separation within the Conference Summary, documenting them in accordance with outlined policies. Once Employee Relations reviews, this information is communicated to employees and supervisors.

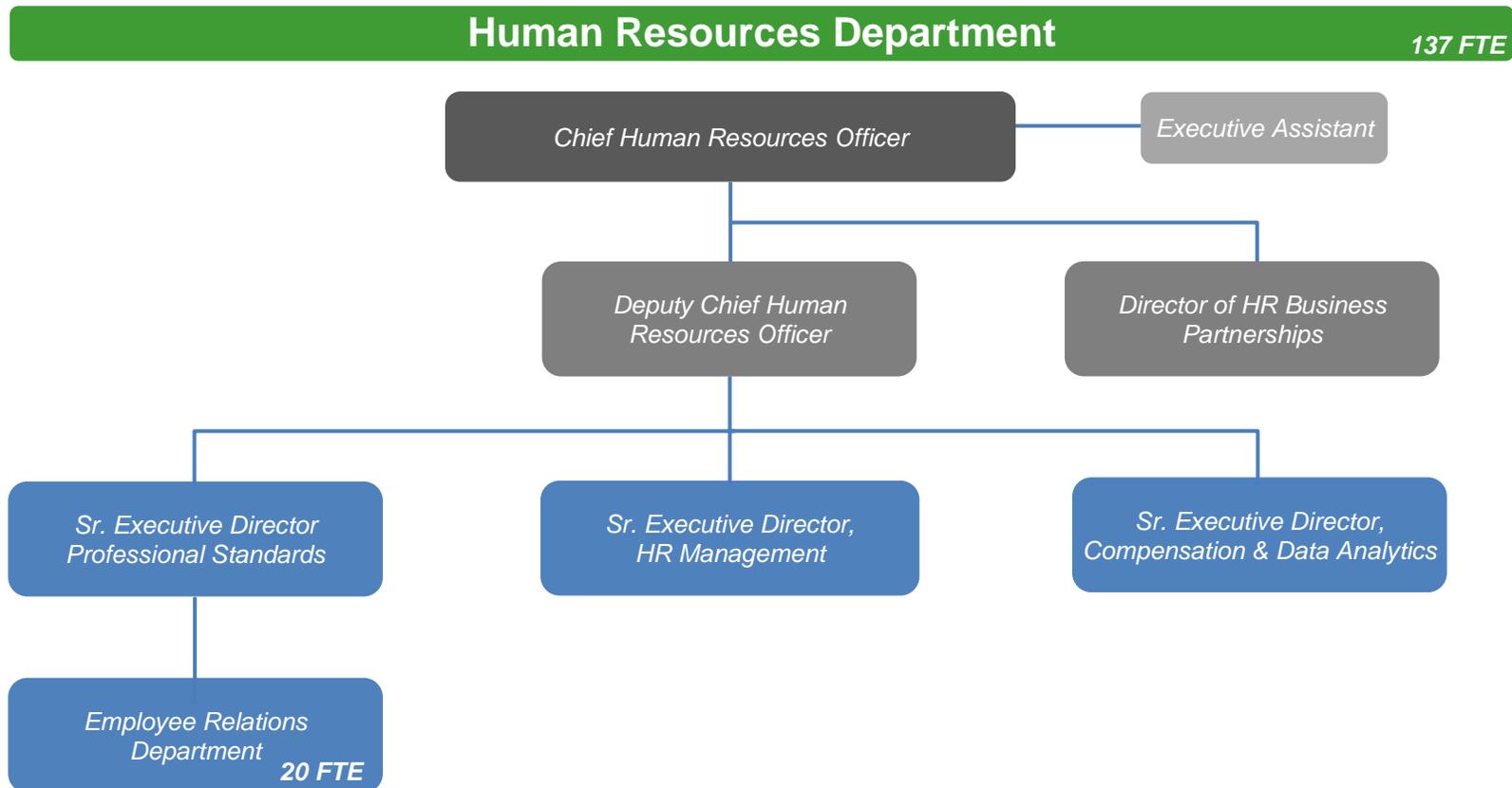


## BACKGROUND (CONTINUED)

### Overview

#### Employee Terminations HR Organizational Structure:

HISD HRD includes 137 employees and seven sub-divisions. The Employee Relations sub-division consists of 20 employees and oversees the District's employee termination process. The HISD Payroll Department, within HISD's Finance Department, consists of 11 employees. See below for the current organizational chart provided by HRD.





## BACKGROUND (CONTINUED)

### Overview

#### Employee Terminations Process

The Employee Termination process is designed to adhere to compliance, standards, and guidelines stipulated by the Texas Education Code and District Employee Relations policies. There are no policy disparities between HISD campuses and the central office. The involuntary Employee Termination process is separated into Contracted Employees and At-Will Employees. At-will employees include individuals without contracts (e.g., hourly employees, teaching assistants, service members, and bus drivers), and Contracted Employees include employees under contract (e.g., teachers, principals, and business managers).

When a Contracted Employee is terminated, a file review meeting is conducted by Supervisors in conjunction with HR, Legal, and the employee's Principal or designated Manager. The Reduction in Force process is executed by the Principal or Supervisor, who presents the termination case and thoroughly reviews the employee's information with the group. HR provides additional details as needed. Employees under contract with HISD receive timely notice of terminable offenses, allowing an opportunity for appeals (15 days) and necessary corrective actions. After presenting all evidence, Legal provides a recommendation on the termination. If Legal suggests proceeding with the termination, the meeting details are documented in a Conference Summary, and a Board agenda is created. The Supervisor and Principal review and approve the Conference Summary before presenting any findings to the employee. The termination proposal is then brought before the Board to determine whether Employee Relations can proceed with the termination. If the Board approves, Employee Relations issues the termination notice to the employee.

When an At-Will Employee is terminated, Supervisors arrange an Employee Relations Document Review meeting with the ERD. This process parallels that of a Contracted Employee termination, except that Legal representation in the meeting is not necessary. Upon meeting completion, a conference summary is issued, and the termination recommendation is processed. The Supervisor and Principal review and approve the Conference Summary before the employee is presented with any findings. Employee Relations communicates the termination to the Talent Management Department, who then notify the employee. Board approval is not required for terminations of At-Will Employees.

In the case of voluntary terminations, both Contracted and At-Will employees are required to notify their supervising Principal or Manager of their decision. This notification can be submitted via OneSource, email, or verbal communication. If the resignation is submitted through OneSource, the termination initiates a workflow process whereby HR and Supervisors are notified, and effective dates are logged into the system. Talent Management reviews and accepts or rejects the notification, finalizing the resignation. In instances of email or verbal resignations, Supervisors must submit written notification to HR, who then process the resignation in OneSource.

The Employee Relations team initiates system removal in SAP after issuing final termination notices for voluntary and involuntary terminations. SAP is a fully integrated application that consolidates all system privileges concerning physical access, Active Directory access, and payroll. When the Employee Relations team initiates the termination process within SAP, the system automatically revokes the employee's access to all SAP submodules, encompassing SAP payroll, Active Directory, and badge physical access. Currently, no established policy requirement dictates the timing for the effective termination of an employee within SAP. Furthermore, the responsibility for retrieving physical equipment from terminated employees lies with Supervisors and is not overseen by IT or HR Management.

To identify terminated employees for the week, the Finance Department generates the Demographics File from SAP, detailing the status of all HISD employees. Once created, Finance shares the file with Empyrean Benefits Solutions, the third-party benefit administrator engaged by HISD. Empyrean Benefits Solutions is responsible for removing the employee from active plans and updating records to indicate the termination status. This involves furnishing information on COBRA coverage and facilitating the payout of any accrued benefits. Subsequently, Empyrean Benefits Solutions issues the COBRA continuation coverage letter to the terminated employee and provides the deductions file to HISD for the final payroll calculation.



## BACKGROUND (CONTINUED)

### Overview

#### Employee Terminations (Continued)

Once the employee is terminated from SAP and the benefits and deductions are calculated by Empyrean Benefits Solutions, the Payroll Department engages in the Final Pay Calculation process upon receiving the termination notification. This involves thoroughly reviewing the employee's time record in SAP to ascertain the accrued payout, considering additional factors like state leave for retirement or unemployment. Typically, employees receive their final paychecks approximately 30 days post-termination.

#### Policies and Procedures

HISD has established policies and procedures supported by State and District guidance to govern operations related to employee terminations as outlined in the overview. The policies governing the employee termination process are accessible to all employees on the HISD Intranet. The Board Policy Manual explicitly outlines the guidelines for HRD's terminable offenses. The Board Policy Manual provides required employee termination protocols for Supervisors, Principals, and others involved in the termination processes.

Policies and procedures:

- DFE – Terminations of Employment Resignation – Guidelines governing voluntary/involuntary resignations and the required communications by HISD leadership to terminated employees.
- DFCA – Continuing Contracts Termination – Guidelines governing employees under continuing employment contracts and their rights to a hearing pending a final termination decision.
- HISD Finance – Procedures Manual – Guidelines governing the financial implications of employee Final Pay and Benefits following termination.

The employee termination function aligns with guidelines outlined within the Texas Education Code (Texas Education Code (TEC) § 21.210, Texas Education Code (TEC) § 21.210(a)(b)). The termination process strictly adheres to policies governing employee relations at the State and District levels for all HISD campuses.

State and District guidance:

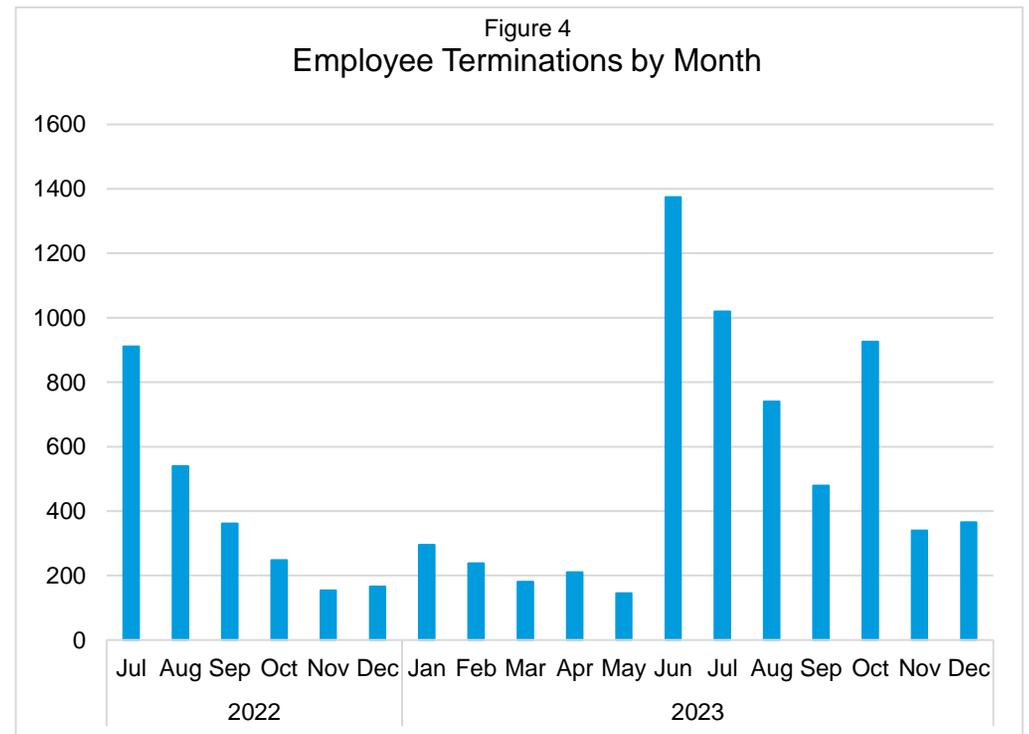
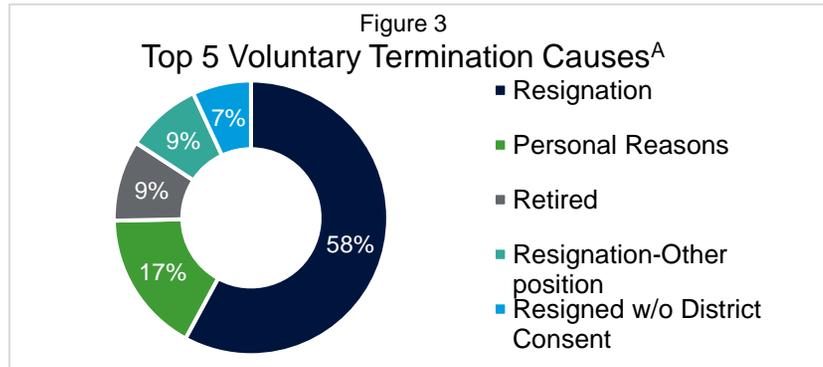
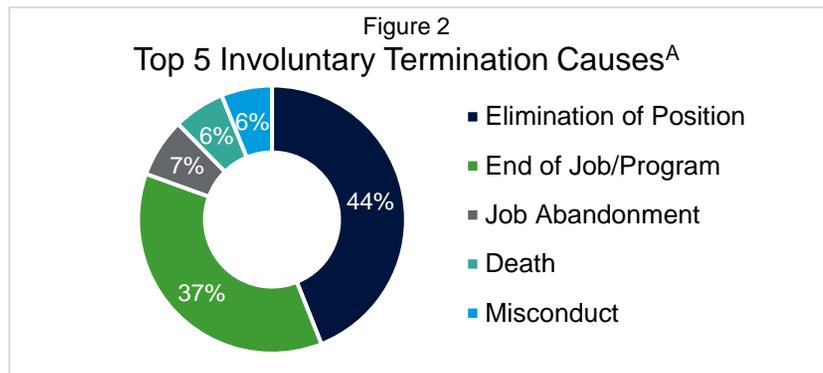
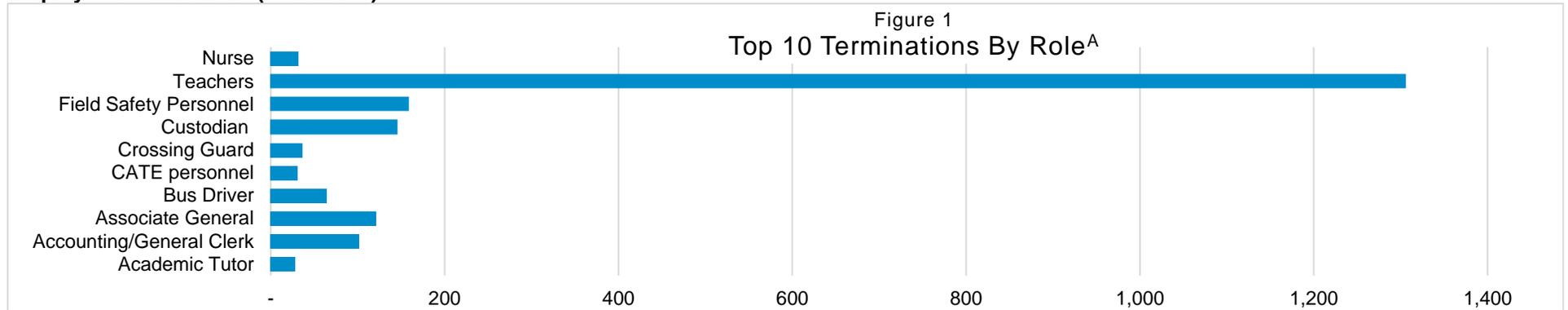
- Texas Education Code (TEC) § 21.210
- Texas Education Code (TEC) § 21.210(a)(b)



## BACKGROUND (CONTINUED)

### Overview

#### Employee Terminations (Continued)



<sup>A</sup> For the period of July 1, 2022, to December 31, 2023



## OBJECTIVES AND APPROACH

### Objectives

The objective of this internal audit was to evaluate the design and control structure, including adherence to policies, procedures, and relevant laws and regulations for the operating effectiveness of HISD's employee termination process. In-scope areas include, but may not be limited to, completeness and adequacy of documentation and records to support the termination process, including any checklists utilized by management to process separations; accuracy and timeliness of final employee payroll; revocation of access to HISD facilities and IT applications; exit interview processes, and adherence to applicable policies and regulations.

### Approach

Our audit approach consisted of the three phases described below:

#### Understanding and Documentation of the Process

The first phase primarily involved inquiries to understand the critical personnel, risks, processes, and controls relevant to the abovementioned objectives. The following procedures were conducted as part of this phase:

- Obtained and reviewed any documented policies and procedures related to the function and relevant state and local regulations, reporting, and other pertinent information.
- Conducted interviews and walkthroughs with key personnel to understand operating policies and procedures, roles, and responsibilities within the department.
- Gained an understanding of procedures related to the processes within scope.
- Developed a work plan for evaluating the operating effectiveness of procedures and controls based on the information obtained through interviews, walkthroughs, and preliminary documentation review.

#### Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to evaluate the design of key processes and controls and test compliance and internal controls for operating effectiveness based on our understanding of the processes obtained during the first phase. We utilized sampling and other auditing techniques to meet the abovementioned audit objectives. Our testing procedures included, but were not limited to:

- Evaluated the adequacy and accessibility of policies, standard operating procedures, and state and local requirements related to employee terminations.
- Confirmed that requisite documentation was completed and maintained for voluntary and involuntary separations.
- Examined the promptness of removal from the payroll application and physical/system access for terminated employees.
- Reviewed the timeliness of removal from benefits programs (401K, health insurance, etc.).
- Assessed the punctuality of benefits letters (COBRA letter, etc.) sent to employees, confirming compliance with federal, state, and local labor laws.
- Verified the precision of the final payroll calculation for terminated employees, including vacation and leave balances.

#### Reporting

At the conclusion of this internal audit, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel and have incorporated Management responses into this report.



## OBSERVATIONS MATRIX

Observation	1. Terminated Employee Final Pay Calculation
<p style="text-align: center;"><b>High</b></p>	<p>When an employee is terminated from HISD, final pay is automatically calculated within SAP and paid in the upcoming payroll followed by the employee's termination. The calculation is based on the employee's time records, pay rate, and any benefits or accruals needed. There are certain lump-sum payments for terminated employees which require manual input from the compensation team.</p> <p>As part of our testing procedures, we determined that 1 of the 25 samples tested miscalculated the final payroll amount, amounting to an overpayment of \$20,503. Since this error was identified, HISD has begun recovering the erroneous payment. According to the Payroll team, the overpayment occurred due to manual errors made by the compensation team related to a lump-sum payment for the terminated employee.</p> <p>At the time of our review, management did not perform a review of final payroll calculations before issuing the final payroll payments to terminated employees.</p> <p>The absence of a review process for final payroll calculations for terminated employees presents a risk of financial inaccuracies, including overpayments or underpayments.</p>
<p><b>Recommendation</b></p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>The Payroll Department should implement a structured review process for final payroll calculations of terminated employees, with Payroll Management examining and approving the calculations before release. This review should examine payment components, including hours worked, hourly rates, vacation accrual, and applicable benefits or deductions. Discrepancies should be promptly rectified, and findings documented to create an audit trail.</li> </ul>
<p><b>Management Action Plan</b></p>	<p><b>Response:</b> The issue was related to two-week lump sum pay which is based on manual entries by the compensation team. Since this event, Payroll has alerts in place to look at pay changes of greater than 25% as well as gross pay over \$5,000, \$10,000 and \$15,000. These alerts were implemented as a part of the Payroll Control Center system that was implemented in May of this year.</p> <p><b>Responsible Party:</b> Payroll</p> <p><b>Estimated Completion Date:</b> Completed</p>



## OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Property Return Process for Terminated Employees
<p><b>Moderate</b></p>	<p>When an employee is terminated, all HISD-owned equipment in the employee’s possession, such as laptops, tablets, and badges, should be promptly returned to HISD. Teachers are issued laptops and tablets, while equipment for at-will employees varies by department according to their job responsibilities. For example, the Maintenance Department’s issued equipment may comprise physical keys to utility closets or HISD-owned vehicles.</p> <p>As part of our testing procedures, we identified the following:</p> <ol style="list-style-type: none"> <li>1. HISD does not have a policy governing the return of HISD-owned equipment, and there is no uniform process for tracking and certifying that all terminated employees appropriately returned the equipment to HISD at a centralized level. Instead, each terminated employee’s direct Supervisor in their department is responsible for recovering all applicable property.</li> <li>2. HISD HRD does not utilize a standardized terminated employee checklist to guide or validate the completion of key termination tasks, such as returning HISD equipment, revoking system access, managing final payments, and addressing documentation requirements. Since HRD does not collect evidence that property was returned from campuses or departments, we selected a sample of 4 terminations and requested evidence from the applicable campuses or departments. No evidence was provided of what was collected, when, or an inventory of what had been assigned to the employee.</li> </ol> <p>The lack of a centralized policy and standardized process for returning HISD-owned equipment upon employee termination increases the risk of lost or unreturned equipment, unauthorized access to HISD systems, and potential financial loss.</p>
<p><b>Recommendation</b></p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• The HRD should include within their employee handbook a procedure (checklist) for tracking and certifying the return of HISD equipment from employees upon their termination. The process should start with a formalized check-out process upon an employee’s hire, including a written acknowledgment of responsibility for returning issued equipment upon termination. Upon termination, HR and IT should complete and sign off a checklist confirming the return of all issued equipment and ID badges. The process should include escalation procedures for cases where an employee refuses to return property, such as a series of letters or emails requesting the return of items or an update to the employee’s SAP profile that explains the failure to return issued equipment.</li> <li>• The HRD should implement a standardized terminated employee checklist for HRD and department heads overseeing employee terminations. This checklist should include revoking system access, collecting HISD-owned equipment, managing final payments, addressing documentation requirements, and other applicable steps to promote a consistent and secure termination process.</li> </ul>
<p><b>Management Action Plan</b></p>	<p><b>Response:</b> We acknowledge the recommendation that the district currently lacks a centralized policy and standard process for ensuring the return of district-owned equipment upon employee termination. In response, we will develop a policy that will be created and implemented to standardize the process of recovering district-owned equipment from employees who are exiting the district. This policy will clearly define the roles and responsibilities of all relevant departments, including HR, and IT and ensure alignment with legal and operational requirements. The district will use its Centralized Asset Tracking System to maintain a record of all equipment issued and returned. This will provide real-time visibility into equipment status, reducing the risk of lost or unreturned assets. <i>To be implemented by 12/31/2024.</i></p> <p><b>Responsible Party:</b> Deputy Chief of Human Resources collaborating with the Chief Technology Officer</p> <p><b>Estimated Completion Date:</b> 12/31/2024</p>



## OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Removal of Terminated Employee from Payroll Application
<p><b>Moderate</b></p>	<p>When an employee is terminated from HISD, an HR Data Analytics &amp; Systems Analyst is responsible for promptly removing the employee from the SAP payroll application to prevent overpayment. The employee's termination date should be input into SAP before the end date of the next pay period, so the employee is not included in the subsequent pay cycle.</p> <p>As part of our testing procedures, we determined that 4 out of 25 terminated employees sampled were not removed from payroll promptly, with delays ranging from 2 to 14 weeks post-termination. Although these individuals were not overpaid, the delay indicates a lack of timely monitoring and removal from the SAP system.</p> <p>Delayed removal of terminated employees from SAP could lead to financial discrepancies, inaccurate workforce records, and possibly security breaches.</p>
<p><b>Recommendation</b></p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Payroll should generate a monthly report identifying employees who have not recorded work hours within the last 60 days. Functional leaders should validate the employment status of individuals identified in the reports. Any necessary updates to SAP should be made promptly.</li> <li>• See Recommendation #2 in Observation #2.</li> </ul>
<p><b>Management Action Plan</b></p>	<p><b>Response:</b> HR Data Analytics &amp; Business Solutions, in partnership with Payroll, will generate a monthly report to identify employees who have not received a paycheck. This report will be shared with Talent Management, who will collaborate with hiring managers to determine if these individuals are still active employees. If termination is required, Talent Management will provide guidance and notify Employee Relations to initiate the File Review process for contract employees or the Employee Relations Documentation Review (ERDR) for at-will employees. Once a decision is made, Talent Management will add the employee to the Hold-Check list (if applicable), allowing Payroll to place a hold on the employee's account to prevent overpayment until the termination is finalized and all required documentation is submitted to Human Resources.</p> <p><b>Responsible Party:</b> Deputy Chief of Human Resources  <b>Estimated Completion Date:</b> 12/31/2024</p>



## OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Removal of Terminated Employee from SAP and Physical Access Not Restricted
<p><b>Moderate</b></p>	<p>Section 1211 of the Terminated Employees of HISD Finance Procedures Manual states, “All termination actions must be submitted (electronically or paper form) to the HRD promptly to avoid overpayment to an employee. After the HR Business Partner receives the appropriate documents, employees will be terminated from the HR/Payroll systems. Work location Supervisors are responsible for providing either a letter of resignation from the employee before the last day worked or documentation to process an involuntary resignation.”</p> <p>The policy excerpt does not include a defined timeframe for removing terminated employees from the payroll application and active directory. According to industry standards, access for voluntarily terminated employees should be removed within 72 hours of separation, while access for involuntarily terminated employees should be removed before or within 24 hours of separation.</p> <p>We identified the following as part of our review:</p> <ul style="list-style-type: none"> <li>• 4 out of 9 involuntarily terminated employees sampled retained access for 1 to 14 weeks post-termination. Industry standards state access should have been revoked within 24 hours.</li> <li>• 1 out of 16 voluntarily terminated employees sampled retained access for four weeks after termination. Industry standards state that access should have been revoked within 72 hours.</li> </ul> <p>The delayed revocation of system and physical access for terminated employees increases the risk of unauthorized access to buildings and sensitive data, potentially compromising the security of the organization's assets and information. Failure to promptly remove terminated employees from payroll may result in overpayments and financial discrepancies.</p>
<p><b>Recommendation</b></p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• HISD HRD should establish precise policy requirements for employee terminations, specifying the need for timely removal from key applications and physical access. Human Resources should promptly remove terminated employees from SAP and notify all relevant departments (IT, Payroll, and Benefits) within 24-72 hours of termination to confirm the timely removal of the employee from all applicable applications.</li> <li>• IT should develop a monthly report identifying users who have not logged into the network or accessed an HISD location within a specified period. Functional leaders should validate the employment status of individuals identified in the reports. Any necessary updates to SAP should be made promptly to revoke access for terminated employees promptly.</li> <li>• See Recommendation #2 in Observation #2.</li> </ul>
<p><b>Management Action Plan</b></p>	<p><b>Response:</b> We acknowledge the audit finding concerning deactivating system access for terminated employees and concur with the recommendation to strengthen our security processes. In response, we will establish a formal policy specifying clear timeframes for resignation/termination notifications, account deactivations, and access removal. This policy will mandate that all necessary actions be completed within 24 hours of termination notification, ensuring the timely removal of system access for departing employees. Additionally, we will implement ongoing monitoring of user activity across all critical systems to proactively identify inactive employees. To ensure compliance with these measures, we will conduct regular audits to verify adherence to the defined timeframes and processes.</p> <p><b>Responsible Party:</b> Deputy Chief of Human Resources collaborating with the Chief Technology Officer  <b>Estimated Completion Date:</b> 10/15/2024</p>

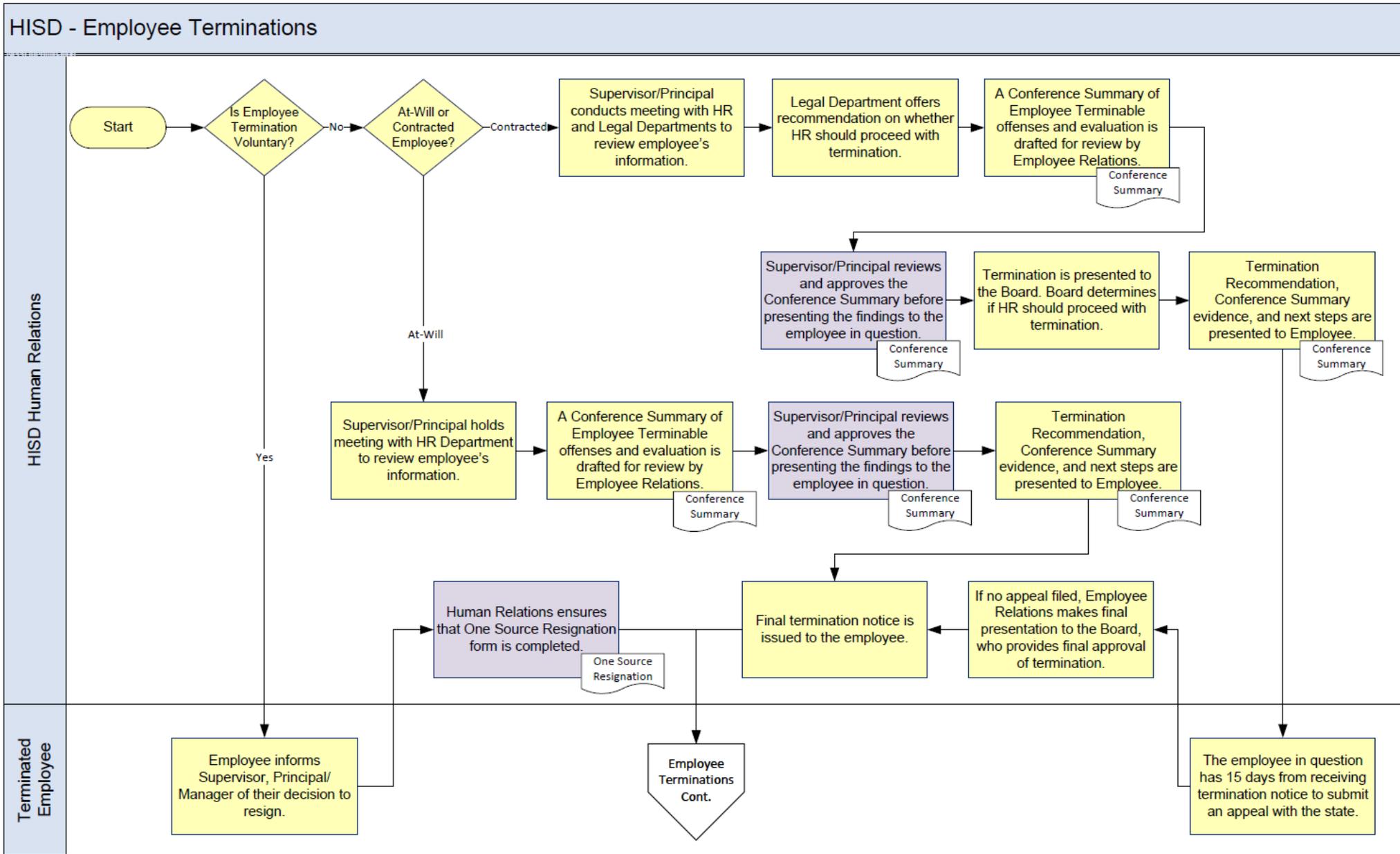


## OPPORTUNITY FOR IMPROVEMENT

Opportunity	1. Terminated Employee Exit Interviews
	<p>Effective employee exit procedures, including formalized exit interviews, are crucial for gathering feedback, facilitating a smooth transition, and maintaining security and operational integrity.</p> <p>HRD does not conduct formalized exit interviews to obtain feedback from departing employees on their experiences, reasons for leaving, and suggestions for improvement in the workplace.</p> <p>The absence of formalized exit interviews can lead to missed opportunities for organizational improvement and inconsistencies in the termination process, potentially resulting in security risks and operational inefficiencies. A robust exit interview process may also bolster the district's recruitment and retention practices, as separated employees can provide insight into employment trends, competitive benefit offerings, and employment packages offered by their next employer.</p>
<b>Recommendation</b>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• HRD should establish a formalized exit interview process to collect feedback from departing employees on their experiences and suggestions for workplace improvement. For efficiency, an exit survey could be utilized to supplement the interview process if it is deemed effective enough to meet the objectives of the feedback process.</li> </ul>

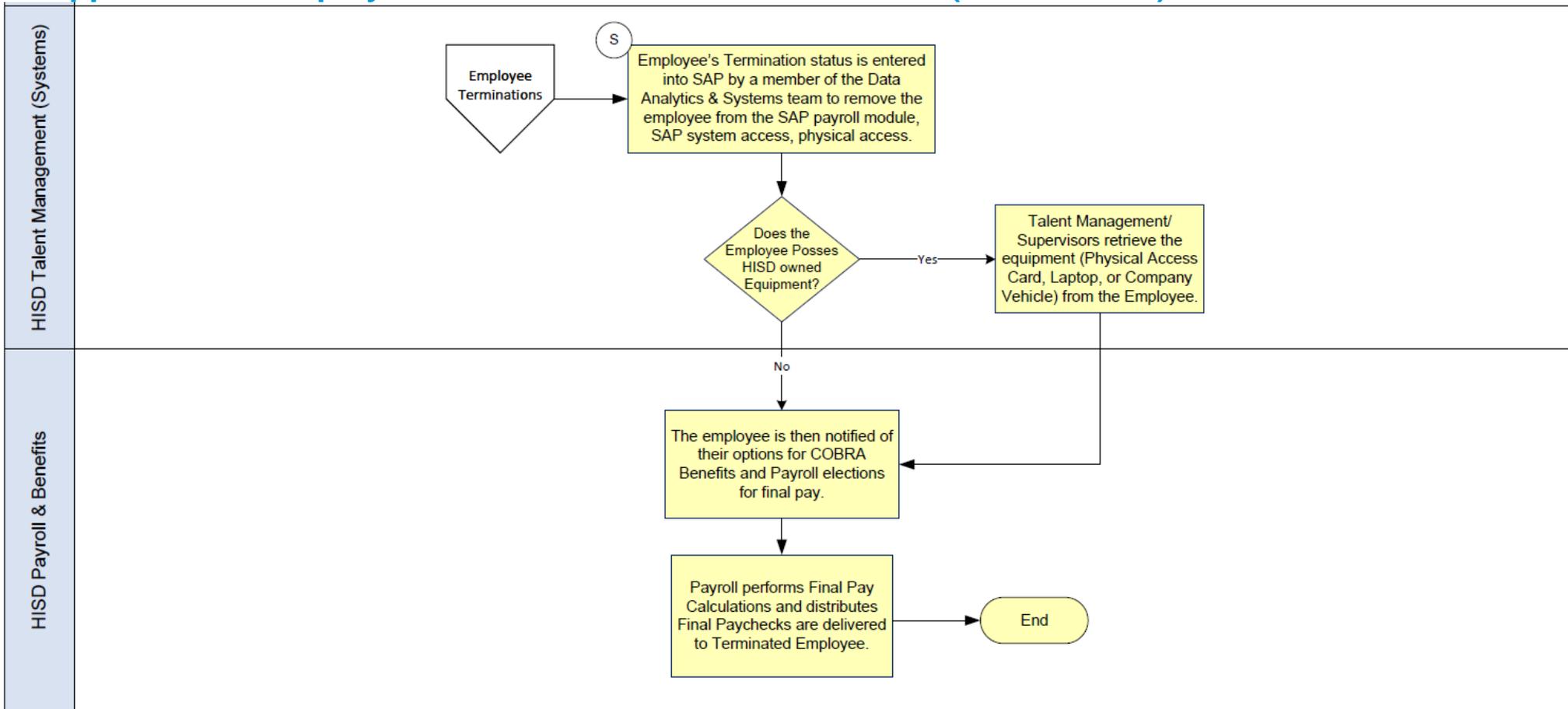


## Appendix A – Employee Terminations Process Flowchart





## Appendix A – Employee Terminations Process Flowchart (CONTINUED)



**Notes:**

**Legend:**

					<b>Color:</b>	
					Process	S: SAP
					Control	



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