

Harry Stone Montessori Academy Activity Funds Audit

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Activity Funds Audit

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Date: November 10, 2022

To: Board of Trustees
Stephanie S. Elizalde, Ed.D., Superintendent

From: Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Subject: Activity Funds Audit – Harry Stone Montessori Academy

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Activity Funds Audit at Harry Stone Montessori Academy (HSMA).

The audit was requested by the HSMA principal and focused on reviewing compliance with activity fund processes and procedures.

Instances of non-compliance with activity fund policies and procedures were identified in the following areas.

- Compliance training
- Activity fund receipts
- Fundraiser documentation
- Donation documentation

Background

During School Year 2021-2022, HSMA had 600 enrolled students and 63 employees. The total budget for Fiscal Year (FY) 2021-2022 was \$4,664,083. At the end of FY 2021-2022, the student activity fund (SAF) balance and the campus activity fund (CAF) balance totaled \$11,049.46 and \$21,204.35, respectively.

Scope

The audit period included activity fund transactions from FY 2021-2022.

Objective

The audit objective was to determine if HSMA was in compliance with applicable regulatory requirements, District policies, and campus or departmental procedures related to activity funds.

Methodology

The OIA reviewed relevant Texas Education Agency (TEA) regulations, District policies, and applicable departmental guidelines and handbooks. Auditors interviewed management and employees at HSMA and conducted the following:

- Acknowledgement of Activity Fund Responsibilities Forms (*Dallas ISD Activity Funds Manual, Module B: Responsibilities*) – To determine if applicable personnel attended required activity fund training, auditors requested the signed Acknowledgement of Activity Fund Responsibilities Forms showing the applicable individuals took the training and completed the training quiz. Auditors tested to verify a form was completed for the principal, principal's designee, bookkeeper, and sponsors.
See recommendation 1
- Monthly Reports (*Dallas ISD Activity Funds Manual, Module C: Bank Accounts*) – To determine if monthly activity fund reports were completed, properly approved, and submitted timely, auditors obtained the April, May, and June 2022 CAF and SAF monthly reports and verified they were complete, were approved by the principal, and were submitted to the Financial and Accounting Support to Campuses (FASC) department by the 10th calendar day of each subsequent month.
No exceptions were noted.
- Board of Control (BOC) (*Dallas ISD Activity Funds Manual, Module L: Board of Control*) – To determine if a BOC was established and met activity fund requirements, auditors selected five months of BOC meeting minutes and reviewed for the following:
 - BOC members were properly comprised.
 - BOC meetings were held at least once monthly.
 - BOC meeting attendees signed meeting log and meeting minutes.
 - BOC minutes included discussions of activity fund operations.No exceptions were noted.
- Sponsor Responsibilities (*Dallas ISD Activity Funds Manual, Module B: Responsibilities*) – To determine if sponsors have processes in place to ensure compliance with activity fund operations, auditors selected and interviewed three sponsors regarding their required responsibilities. Testing of these responsibilities was performed in the fundraising section noted below.
No exceptions were noted.
- Cash Handling (*Dallas ISD Activity Funds Manual, Module D: Cash Handling and Module E: Cash Procedures and Monitoring Procedures*) – To determine if cash handling procedures for activity funds are in place, auditors selected a sample of 15 activity fund receipts from the activity fund logs and verified the following:
 - Funds were submitted by sponsor to bookkeeper on the date collected and an Oracle receipt was promptly issued for the S-1.
 - Oracle receipt and S-1 were signed by Bookkeeper and individuals who remitted the funds (sponsor), acknowledging amounts to be correct.
 - Receipts (S-1s) were supported by Tabulation of Monies forms (if applicable), and sponsor's deposit slips.

- Bookkeeper collected the receipt from the sponsor and not directly from payees.
- Funds were deposited timely.

See recommendation 1

- Disbursements (*Dallas ISD Activity Funds Manual, Module F: Disbursements*) – To determine if disbursements made with activity funds were appropriate and followed established procedures, auditors selected five purchases from the campus' activity fund records and verified the following:
 - Requisitions were accurately completed and submitted prior to purchase.
 - Supporting documentation was attached to requisitions.
 - The principal authorized the purchases
 - An allowable and appropriate disbursement method was used.
 - Sales tax was not charged.
 - The correct line code was used.
 - Purchases were made for the intended purpose.
 - Compliance with reimbursement requirements, where applicable
 - Purchases were allowable.
 - Purchases with CAF were made from approved vendors.

No exceptions were noted.

- Fundraising (*Dallas ISD Activity Funds Manual, Module K: Fundraising*) – To determine if fundraising procedures were followed, auditors selected six fundraisers from the campus' activity fund records and verified the following:
 - Fundraiser Permission form was completed and approved by Principal prior to the beginning of the activity.
 - Collected funds were receipted and deposited for the intended purpose of the activity.
 - Fundraising activities did not interfere with regular instructional programs.
 - Fundraiser Financial Recap Worksheet was completed by the school sponsor and submitted to the principal at the end of the fundraiser.

See recommendation 1

- Donations (*Dallas ISD Activity Funds Manual, Module I: Donations*) – To determine if donation procedures were followed, auditors obtained and reviewed the Activity Funds Balance Summary Report and identified six donations were made in FY 2021-2022. For all donations received, auditors requested documentation to verify the following:
 - Funds were collected and posted appropriately.
 - District Donation Form was completed.
 - Donations of goods or services valued at \$5,000 or more were submitted to the Board of Trustees for review and approval.

See recommendation 1

Primary criteria used for this audit were:

- 1) Dallas ISD Activity Funds Manual, last updated February 2022
- 2) CFD (Local) Accounting, Activity Funds Management, issued June 3, 2022

Audit Observations and Recommendations

Observation 1 – Instances of non-compliance with activity fund policies and procedures were identified.

Condition

Auditors conducted the testing described in the methodology section above and noted the following exceptions.

1. Auditors could not find evidence that the required trainings were attended by applicable personnel as the following required activity fund forms could not be located:
 - Principal Acknowledgment of Activity Fund Responsibilities
 - Activity Funds Designee Authorization Form
 - Bookkeeper Acknowledgment of Activity Funds Responsibilities¹
 - Sponsor/Staff Acknowledgment of Activity Fund Responsibilities for two of seven sponsors
2. Of the 15 activity fund receipts selected for review, the following exceptions were noted:
 - Four of 15 receipts were not submitted by the sponsor to the bookkeeper on the date collected. In addition, not enough information was provided to determine if two of 15 receipts were submitted by the sponsor to the bookkeeper on the day collected.
 - Two of 15 receipts were not signed by the bookkeeper and sponsor. In addition, not enough information was provided to determine if one of 15 receipts were signed by the bookkeeper and the sponsor.
 - One of 15 receipts did not have the Sponsor Deposit Slips. In addition, not enough information was provided to determine if two of 15 receipts had Sponsor Deposit Slips.
 - Not enough information was provided to determine if one of 15 receipts were collected by the bookkeeper from the sponsor and not directly from the payees.
3. Four of four fundraising activities tested did not have a Fundraiser Financial Recap Worksheet completed. Two of two commission activities were entered in the Laserfiche System incorrectly and did not require a financial recap.
4. Six out of six donations noted on the Activity Funds Balance Summary Report did not have any documentation to support the donation and therefore, could not be tested. The donations have been in the school's account since prior to the current principal's administration.

¹ According to the Financial and Accounting Support to Campuses (FASC) department, the bookkeeper attended the bookkeeper training and took the quiz; however, the bookkeeper did not sign the Bookkeeper Acknowledgment of Activity Funds Responsibilities form. In addition, the bookkeeper also took the sponsor training and incorrectly signed a Sponsor/Staff Acknowledgment of Activity Fund Responsibilities form.

Criteria

- *Dallas ISD Activity Funds Manual, Module B: Responsibilities, last updated February 2022*
- *Dallas ISD Activity Funds Manual, Module D: Cash Handling, last updated February 2022*
- *Dallas ISD Activity Funds Manual, Module I: Donations/Grants, last updated February 2022*
- *Dallas ISD Activity Funds Manual, Module K: Fundraising, last updated February 2022*

Cause

Many of the activity fund processes revolve around the use of paper records and forms. These manual processes for obtaining, documenting, and retaining activity funds contribute to the issues noted in the observation.

Effect

There is an increased risk for lost or misappropriated activity funds when procedures are not followed as instructed per the Activity Funds Manual resulting in reputational risks. In addition, the use of paper documentation rather than electronic systems increases the risk of documentation not being completed or properly retained.

Recommendation 1

The principal should continue monitoring activity fund activities to ensure compliance and obtain in-depth training on the activity fund procedures.

Risk Level for Observation 1: Low²

Conclusion

Overall, HSMA has procedures surrounding management of activity funds. Based on audit results, campus personnel were not consistent in managing the activity funds. Implementing the recommendation in this report could assist HSMA to better ensure compliance with activity funds requirements.

We would like to thank campus staff for their cooperation and assistance with this audit.

The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Those standards require OIA to plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. The OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

² See Attachment 1 for Definition of Risk Level.

Respectfully submitted,

Robert Rubel

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Cc: Pamela Lear, Ed.D., Deputy Superintendent, Chief of Staff and Racial Equity
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Acknowledgments:

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Enrique Fuentes, CFE, Auditor II
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Definition of Risk Level

Risk Level	Definition
High	High probability of occurrence that would significantly impact District operations and have a significant financial or compliance risk. These observations are defined as an observation by an internal audit that, if not addressed timely, could directly impact the achievement of a strategic or important operational objective of the District
Medium	Risks are considered to be substantially undesirable and pose a moderate level of risk exposure to District operations. Without appropriate controls, the risk will happen on a consistent basis.
Low	The risks are considered to be undesirable and could moderately expose the District. Without appropriate controls, the risk will occur some of the time.

Management Response

Observation 1 – Instances of non-compliance with activity fund policies and procedures were identified.

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management's Response:

The leadership team and staff of Harry Stone Montessori Academy will do the following:

Implement improvements that will enhance our productivity and protocols for our Activity Funds at HSMA

- *The Principal will ensure opportunities are provided to ensure continuous training for our current Financial Clerk and Office Manager.*
- *The Principal will register and attend:*
 - **ACT103 Activity Fund Accounting** provided by Texas Association of School Business Officials (TASBO) - December 5, 2022 – Richardson, Tx (Region 10)
 - **TASBO 2023 ENGAGE Conference** – February 13-17, 2023 – San Antonio, Tx
- *The Financial Clerk, Office Manager, and Principal will meet once a week and review the Activity Accounts.*
- *The Office Manager and Financial Clerk will create checklists specific to the use of funds aligned with the FASC Department protocols.*
- *The Principal, Financial Clerk, and Office Manager will train HSMA faculty and staff and members of the Board of Control (BOC) on the following:*
 - *Commissioned Fundraising Protocols*
 - *Non-commissioned Fundraising Protocols*
 - *Grants*
 - *Donations*
 - *Purchases, Etc.*

Estimated Implementation Date:

- Tuesday, February 28, 2023

Individual(s) responsible for implementation:

- Niki Jones, Principal
- Berenice Barron, Financial Clerk
- Elvira Ortiz, Office Manager