

Campus Based Controls Audit – Franklin D. Roosevelt High School of Innovation

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Date: October 1, 2024

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

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

Subject: Campus Based Controls Audit – Franklin D. Roosevelt High School of Innovation

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Campus Based Controls Audit – Franklin D. Roosevelt High School of Innovation (Roosevelt HS).

The audit focused on reviewing the campus' activity funds, payroll (overtime), attendance for credit, and cafeteria operations to determine if they followed District policies, processes, and procedures.

Auditors identified instances of non-compliance in the following areas:

- Training
- Monthly Bank Reconciliations
- Cash Receipts
- Cash Handling and Safeguarding
- Disbursements
- Fundraisers
- Donations
- Payroll (Overtime)
- Attendance for Credit

Background

As of April 2024, the campus activity funds balance and student funds balance totaled \$21,784 and \$13,499, respectively.

Scope

The audit focused on activity from fiscal year (FY) 2023-2024. Certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

Objective

The audit objective was to determine if Roosevelt HS was in compliance with District policies, processes, and procedures related to activity funds, payroll (overtime), attendance for credit, and cafeteria operations.

Methodology

OIA reviewed processes, controls, and supporting documents related to campus operations for activity funds, payroll (overtime), attendance for credit, and cafeteria operations. Auditors interviewed campus staff, conducted walkthroughs, and performed the following:

Activity Funds

1. Board of Control (BOC) – To determine if the campus was in compliance with the District's requirement to establish a BOC and hold BOC meetings to review activity fund activities such as fundraisers, cash receipts, deposits, purchases, and transfers, auditors requested BOC meeting minutes and activity fund supporting documents.

No observations were noted.

2. Training – To determine if campus staff responsible for activity funds (i.e., principal, principal designee, bookkeeper, and sponsors) completed the required activity funds training and passed the training quiz, auditors identified campus staff responsible for activity funds and reviewed training certificates.

See Observation 1.1 in this report.

3. Monthly Bank Reconciliations – To determine if cash receipts and bank deposits were properly accounted for, auditors obtained and reviewed the January 2024 bank reconciliation prepared by the General Ledger Division of the Accounting Services Department along with the reports below and verified there were no unusual or lengthy outstanding items as of March 2024:

- DISD Receipts Awaiting Remittance Report
- DISD Receipts Awaiting Bank Clearance Report
- DISD Activity Fund Unreconciled Transactions Detail Report

See Observation 1.2 in this report.

4. Cash Receipts – To determine if cash receipts for activity funds were properly supported, auditors obtained the *DISD Cash Receipts Register – Activity Funds* report from Oracle for FY 2023-2024 and compared to activity funds records maintained at the campus. As of March 26, 2024, the Oracle report showed the campus entered 52 receipts into campus activity fund accounts totaling \$16,822. Auditors selected a random sample of eight cash receipts and verified the following:

- Oracle receipts were supported by an S-1 receipt or the Financial Accounting Support to Campuses (FASC) – *Activity Funds Tabulation of Monies Collected from Students* form (CAF 2062), as applicable.
- Oracle receipts were supported by the FASC – *Activity Funds Sponsor/Staff Deposit*

Slip form (CAF 2063), if applicable.

- Sponsors submitted funds to the bookkeeper on the date collected.
- Both the bookkeeper and sponsor signed the Oracle receipt.

See Observation 1.3 in this report.

5. Cash Safeguarding and Bank Deposits – To determine if cash collected was properly safeguarded and deposited in the bank, auditors verified the following:

- The campus had a working safe.
- Access to the safe was properly restricted.
- The safe was kept locked.
- There were no deposit bags in the safe with dates older than the last courier pick-up.

See Observation 1.4 in this report.

6. Purchases and Disbursements – To determine if the campus was in compliance with policies and procedures for activity fund disbursements, auditors obtained the *DISD Requisitions PO by Line report from Oracle* for FY 2023-2024 and noted the campus made 48 disbursements with campus activity funds totaling \$12,719 and no disbursements with student activity funds. Auditors selected a random sample of five campus activity fund disbursements totaling \$2,200 and verified the following:

- The *FASC Activity Funds Request for Purchase and Payment* form (CAF 2071) was signed by the principal and reviewed by the BOC.
- The requisition was approved by the principal.
- A quote was attached to the requisition.
- The correct line code was used in the requisition.
- A purchase order was created after the requisition was approved.
- Items were received or services were rendered, and vendor provided an invoice before payment was made.
- Sales tax was not included in the payment, unless required.
- Purchases with campus activity funds were made from a District approved vendor.
- Purchases were allowable per District policy.

See Observation 1.5 in this report.

7. Fundraisers – To determine if fundraising activities were approved and if funds collected were properly accounted for, auditors obtained a report from Laserfiche as of April 9, 2024, showing the fundraiser permission forms submitted for approval. Auditors then verified fundraiser recaps were submitted, when applicable, and funds were receipted in Oracle and deposited to the appropriate activity fund account.

See Observation 1.6 in this report.

8. Donations – To determine if donations were properly supported, accounted for, and reported, auditors reviewed the *DISD Cash Receipts Register – Activity Funds* report and verified the following:

- The principal, executive director, and Board of Trustees, where applicable, approved the donations.
- The campus reported the donation to the Volunteer and Partnership Services department.
- The campus documented donor intent.
- The campus recorded donations in a specific campus activity funds account and disbursed funds according to donor intent.

See Observation 1.7 in this report.

Payroll (Overtime)

1. Overtime – To determine if the campus was in compliance with policies and procedures for overtime, auditors obtained the *DISD GL Payroll Distribution Report* from Oracle noting \$7,499 in overtime was paid to employees (excluding custodial and food service staff) as of March 2024. Auditors made a sample selection of five overtime payments and verified the following:
 - Overtime was pre-approved.
 - Overtime compensation did not exceed the 20% limit of employee's salary.

See Observation 1.8 in this report.

Attendance for Credit

1. Attendance for Credit (AFC) – To determine if the campus complied with AFC requirements, OIA reviewed information from the AFC system and verified the following:
 - A principal's plan is implemented.
 - Seat time hours were documented, completed timely and in accordance with the assigned principal plan, and conducted outside of required instructional time.
 - Assignments for content-specific work were completed during seat time hours and were maintained in the AFC system.
 - Evidence of the Attendance Committee's approval/denial of credits to support final decisions.
 - Any exceptions to the attendance for credit program requirements were accompanied by a valid petition.

See Observation 1.9 in this report.

Cafeteria Operations

1. Operations – To determine if the campus cafeteria was clean and up to date on required inspections, auditors performed the following:
 - Completed a walkthrough of the kitchen and other areas to verify cleanliness, current state of equipment, and if staff are following procedures for proper food handling.
 - Obtained the last two City of Dallas, Department of Code Compliance – Consumer Health Division, Retail Food Establishment Inspection Reports and verified the campus met the City of Dallas food protection and education sanitation standards.

No observations were noted.

2. Cash Handling – To determine if cash collected by the campus cafeteria was handled in accordance with District policy, auditors conducted a walkthrough with the campus kitchen supervisor and verified the following:

- Cash deposit bags were locked in the safe and recorded in the *Cafeteria Deposit Pick-up Log*.
- Change fund was secured in a black box or safe.
- Change fund matched the amount recorded in the cafeteria change fund form.

No observations were noted.

Safety and Security

1. To determine if the campus was in compliance with Safety and Security, auditors conducted the following:

- Determined whether unsecured access can be gained into the school.
- Determined whether all exterior doors are secured.
- Determined whether entry to the building is permissible without a District identification badge.
- If entry was gained through an outside door, determined if campus staff required showing a District identification badge before proceeding.
- Determine if magnetometer (metal) detectors were working properly.
- Verified that weekly exterior door sweeps were documented.

No observations were noted.

Primary criteria used in this audit were:

Activity Funds

- 1) CFD (LOCAL), Activity Funds Management, last updated June 3, 2022
- 2) FJ (REGULATION), Student Fundraising, last updated May 17, 2017
- 3) CDC (REGULATION), Gifts and Solicitations, last updated August 31, 2023
- 4) Dallas ISD Activity Funds Manual, last updated June 2023
- 5) Dallas ISD Activity Funds Sponsor/Staff Handbook updated February 2022
- 6) Dallas Independent School District (ISD) Purchasing Manual, dated August 2023

Payroll

- 1) DEA (REGULATION), Compensation Plan, last updated March 28, 2022
- 2) Dallas ISD Oracle Payroll Manual, last updated July 10, 2023

Attendance for Credit

- 1) FEC (REGULATION), Attendance, Attendance for Credit, last updated November 4, 2016
- 2) FEC(LOCAL), Attendance for Credit, issued November 17, 2016
- 3) Texas Education Code, Section 25.092, Minimum Attendance for Class Credit or Final Grade, September 9, 2021

4) Attendance for Credit Procedural Manual 2023-2024

Cafeteria Operations

- 1) Dallas ISD Food and Child Nutrition Services Standard Operating Procedure, Cleaning and Sanitizing Food Contact Surfaces, last updated August 25, 2022
- 2) Dallas ISD Food and Child Nutrition Services Standard Operating Procedure, Date Marking Ready-to-Eat Time/Temperature Control for Safety Foods, last updated August 2022
- 3) Dallas City Code, Volume I, Chapter 17, Article X., Section 17-10, Compliance and Enforcement (as of this report date)

Audit Observations and Recommendations

Observation 1 – Multiple 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 exceptions below.

1. Training

Auditors obtained the activity funds training acknowledgement forms from the campus noting two teachers who serve as sponsors did not take the required training.

2. Monthly Bank Reconciliations

Auditors ran the Oracle DISD Receipts Awaiting Bank Clearance Report as of May 8, 2024, and noted two deposits, totaling \$233.85 were receipted in Oracle on December 21, 2023, but have not been deposited into the bank. Additionally, another deposit of \$200 was receipted in Oracle on March 22, 2024, and has not cleared the bank. The campus is unable to locate these funds.

3. Cash Receipts

Auditors reviewed a sample selection of nine cash receipts noting the following:

- None of the selected samples had an Oracle receipt that was supported by an S-1 receipt or a tabulation of monies form. It was noted throughout review of supporting documentation that the campus consistently did not use S-1 receipts or tabulation of monies forms for cash collected. The forms are used to provide details on the source of cash collected, the dates the cash was collected on, as well as provide proof of receipt.
- Three out of 8 (38%) of the selected samples were missing sponsor deposit forms showing a breakdown of the total amount of cash submitted to the bookkeeper for deposit.
- Auditors were unable to verify funds were submitted to the bookkeeper on the day collected as no S-1s, tabulation of monies, or other documentation to support the date collected could be obtained for the samples tested.

- None of the Oracle receipts tested were signed by the bookkeeper or the sponsor. It was noted throughout review of supporting documentation that the campus consistently did not have dual signatures on cash receipts showing that proper segregation of duties was in place to ensure all cash collected was submitted.

Additionally, auditors tested funds collected for student identification badges. As of 3/26/24 16 cash receipts for ID badges were recorded in Oracle and deposited into the bank totaling \$1,498.80. Based on the tabulation of monies forms, the total amount of cash collected for badges was \$1,096.00, resulting in \$402.80 of unsupported cash receipts.

4. Cash Handling and Safeguarding

Auditors reviewed the cash handling and safeguarding procedures noting the campus has a vault and safe onsite; however, per discussions with campus staff, it was noted that cash is not always kept in the safe. It was also noted that several offices and storage rooms are accessible via a master key, for which it is unknown who all may have a copy.

Additionally, as noted above, the campus is unable to locate \$433.85 in activity funds.

5. Disbursements

Auditors reviewed a sample selection of five disbursements. During the review of activity funds disbursement documents maintained at the campus, auditors located four *Activity Funds Request for Payment and Purchase* forms that were not reviewed by the board of control.

6. Fundraisers

Auditors conducted an analysis of fundraisers noting 33 fundraisers were submitted for approval as of March 26, 2024. Based on the analysis auditors determined the following:

- 14 of the 33 (42%) approved fundraisers did not have a recap submitted.
- 13 of the 19 (68%) recaps submitted were not submitted 10 days after the fundraiser end date.
- 14 of the 33 (42%) approved fundraisers did not have any funds deposited.
- 6 of the 19 (32%) fundraisers with funds deposited did not have funds deposited timely.
- 7 cash receipts for fundraisers did not have a fundraiser approval or recap submitted.

Additionally, auditors noted that the campus collects activity funds from concession stand fundraisers held at campus athletic events. It was noted that not all funds raised during each concession stand fundraiser are deposited into campus activity funds accounts, rather a portion of it is used to purchase goods for the proceeding concession stand fundraisers, circumventing the procurement process and cash collection controls. The campus does not keep a consistent inventory of all items purchased or sold. It was noted that the concession stand fundraisers are run primarily by parent volunteers with a District employee sponsor. At the time of audit, the campus did not have an established booster club or PTA.

7. Donations

One donation totaling \$200 did not have any documentation to support donor intent.

Additionally, the donation was not reported to Partnership and Volunteer Services.

8. Payroll (Overtime)

Overtime for two campus staff members, totaling \$388.77 was not pre-authorized.

9. Attendance for Credit

Auditors noted that seat time logs, supporting documentation, and petitions were not being uploaded into the AFC system. Auditors made a sample selection of five students and requested hard copy documentation for which the campus was unable to provide.

Cause

The campus did not follow the policies and procedures established by the District for activity funds management, payroll (overtime), or attendance for credit.

Additionally, cash is difficult to monitor even with the strongest of controls in place. The District has implemented several layers of controls to manage, track, and monitor activity funds; however, it appears most of the controls were simply not followed or overridden in the instances noted above.

Effect

Disregard of District policies and procedures at the campus-level resulted in unauthorized transactions and improper management of activity funds.

Recommendation 1

Activity Funds

- Applicable campus staff should continue to gain an understanding of activity funds policies and procedures established in the *DISD Activity Funds Manual*, *DISD Board of Control Handbook*, and *DISD Staff/Sponsor Handbook* to ensure compliance. The principal should also ensure campus personnel responsible for activity funds are proficient in these policies and procedures and that they are followed. More specific recommendations are outlined below:
 - The principal, office manager, financial clerk, and any other applicable staff should determine areas where the campus is expecting to collect activity funds at the beginning of each year and monitor accordingly. Fundraiser reports can be generated from Laserfiche to monitor that approvals and recaps are submitted accordingly.
 - RevTrak, the District's electronic payment platform, should be utilized where possible to avoid the need to manage cash payments. When RevTrak cannot be utilized, cash collections should be thoroughly documented through the use of S-1's, tabulation of monies, and/or inventory tracking mechanisms.
 - Proper segregation of duties should be implemented to ensure cash collected is deposited. A sponsor should be collecting cash and the financial clerk should be entering into Oracle daily. Dual signatures should be provided on the Oracle receipt to verify all funds collected were entered into Oracle accordingly. If additional controls are needed, the office manager or other applicable staff could serve as a reviewer for

- cash collections and deposits.
- Any areas where cash or other valuables are kept should be properly restricted.
- The campus should consider establishing a booster club to manage concessions for athletic events held on site. All booster club policies, processes, and procedures should be followed. If a booster club cannot be formed, fundraising processes and procedures must be followed.

Payroll (Overtime)

- Overtime pre-approval forms should be submitted and approved prior to the overtime accrual. The principal should communicate this requirement clearly to campus staff. Additionally, the principal or office manager should consider utilizing payroll reports to monitor accrued overtime.

Attendance for Credit

- All AFC activities and supporting documentation should be recorded in the system. The principal should monitor the AFC system to ensure attendance for credit efforts are being conducted and documented in accordance with policies, processes, and procedures.

Risk Level for Observation 1: High¹

Conclusion

Overall, the District has controls in place to manage and monitor activity funds, payroll (overtime), and attendance for credit; however, there was a breakdown in these controls as campus personnel did not follow established policies and procedures for activity funds. Implementation of the recommendations in this report could assist the District to better ensure compliance with activity funds management.

We would like to thank Roosevelt HS and FASC personnel 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.

Respectfully submitted,

Robert Rubel

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Chief Internal Audit Officer

¹ See Attachment 1 for Definition of Risk Level.

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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 issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of the District.
Medium	Risks are considered to be 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 – Multiple instances of non-compliance with activity fund policies and procedures were identified.

Acknowledgement of observation:

- ☒ Agree
- ☐ Disagree

Franklin D. Roosevelt HS Management's Response:

Applicable campus staff will continue to attend all necessary trainings available to gain an understanding of activity funds policies and procedures. RevTrak will be utilized for tracking and managing cash payments. New FC has been hired for the new school year and OM will oversee duties to ensure recommendations are implemented. Booster clubs will be implemented where necessary by FC. Principal will communicate to all staff the need of pre-approval forms for all Overtime. Principal will monitor AFC systems to ensure policies are being followed and documentation is entered.

Estimated Implementation Date:
October 31, 2024

Individuals responsible for implementation:

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