



Internal Audit

Capital and Controllable Asset Management Audit

Capital and Controllable Asset Management Audit

Table of Contents

Executive Summary	3
Background	3
Scope	6
Objective.....	6
Methodology.....	6
Audit Observations and Recommendations	8
Observation 1	8
Observation 2	12
Observation 3	14
Conclusion	16
Attachment 1	17
Definition of Risk Level	17
Attachment 2	18
Management Response	18
Attachment 3	20
Criteria by Observation.....	20

Date: February 18, 2025

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

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

Subject: Capital and Controllable Asset Management Audit

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Capital and Controllable Asset Management Audit.

The audit focused on the District's processes and controls surrounding management of physical assets classified as capital and controllable assets. Asset management is critical to optimize resource allocation, comply with regulations, and aid in long-term cost savings.

Overall, the District has processes in place to manage capital and controllable assets in accordance with federal, state, and local regulations.

Opportunities for improvement were identified in the following areas:

Observation	Priority	Recommendation
1	Medium	Asset inventory efforts could be consolidated to gain efficiencies and provide for more cost-effective processes.
2	Medium	Purchasing records and review processes could be enhanced to gain efficiencies and ensure accuracy in the capital asset accounting processes.
3	Medium	Additional initiatives to encourage care of student devices could be implemented.

Implementation of the recommendations in this report would assist the District in having more effective and efficient processes to manage assets.

Background

Asset Classifications and Requirements

Capital assets, also referred to as fixed assets, are purchases of items individually costing at least \$5,000 that have multi-year useful lives such as land, buildings, vehicles, equipment, and most recently, software. Capital assets are required to be monitored and reported on the District's annual financial statements. As of August 2024, there are 11,497 capital assets with a total net book value of \$3,454,805,893 tracked in Oracle.

Controllable assets are items having a unit value between \$100 and \$5,000 that are more susceptible to loss or theft. The District mirrors the Texas State Property Accounting Manual to define controllable assets, which include the following types of items:

- Sound systems and audio-visual equipment
- Cameras
- Televisions and video players
- Computers
- Data projectors
- Smart phones, tablets, and other handheld devices
- Laptops

As of October 2024, there are approximately 584,131 controllable assets with a total purchase price of \$269,697,912 tracked in TIPWeb, the District's inventory system for controllable assets.

Asset Management Organization and Systems

Both fixed and controllable assets must be tracked and, therefore, are individually marked with District asset tags. Currently, the assets are monitored in multiple systems by various departments. Capital assets are recorded in Oracle and monitored by Fixed Asset Management (FAM) within the Accounting Services Department. The department is made up of four full-time employees, of which 2 are designated to conducting inventory. Oracle serves as the District's accounting system to record the acquisition and depreciation of capital assets; however, Oracle is not utilized to generate asset tags or assign and reconcile the physical inventory count of the items.

Controllable assets are currently inventoried in TIPWeb, a web-based asset management tracking system. Controllable Asset Management (CAM) within the Risk Management Department oversees TIPWeb and the tracking of these assets. The CAM Department consists of four full time employees, but each campus or department must also designate a CAM representative to assist with keeping asset information updated in TIPWeb.

TIPWeb is also the District's official asset register for E-Rate assets, which have more detailed tracking requirements. Business Services within the Educational Technology Department (EdTech) is responsible for entering and maintaining E-Rate asset information in TIPWeb. Although TIPWeb is the official asset register for E-Rate assets, the department primarily manages E-Rate asset information on spreadsheets. E-Rate assets were not reviewed in detail during this audit as they are audited separately through various internal and external audits.

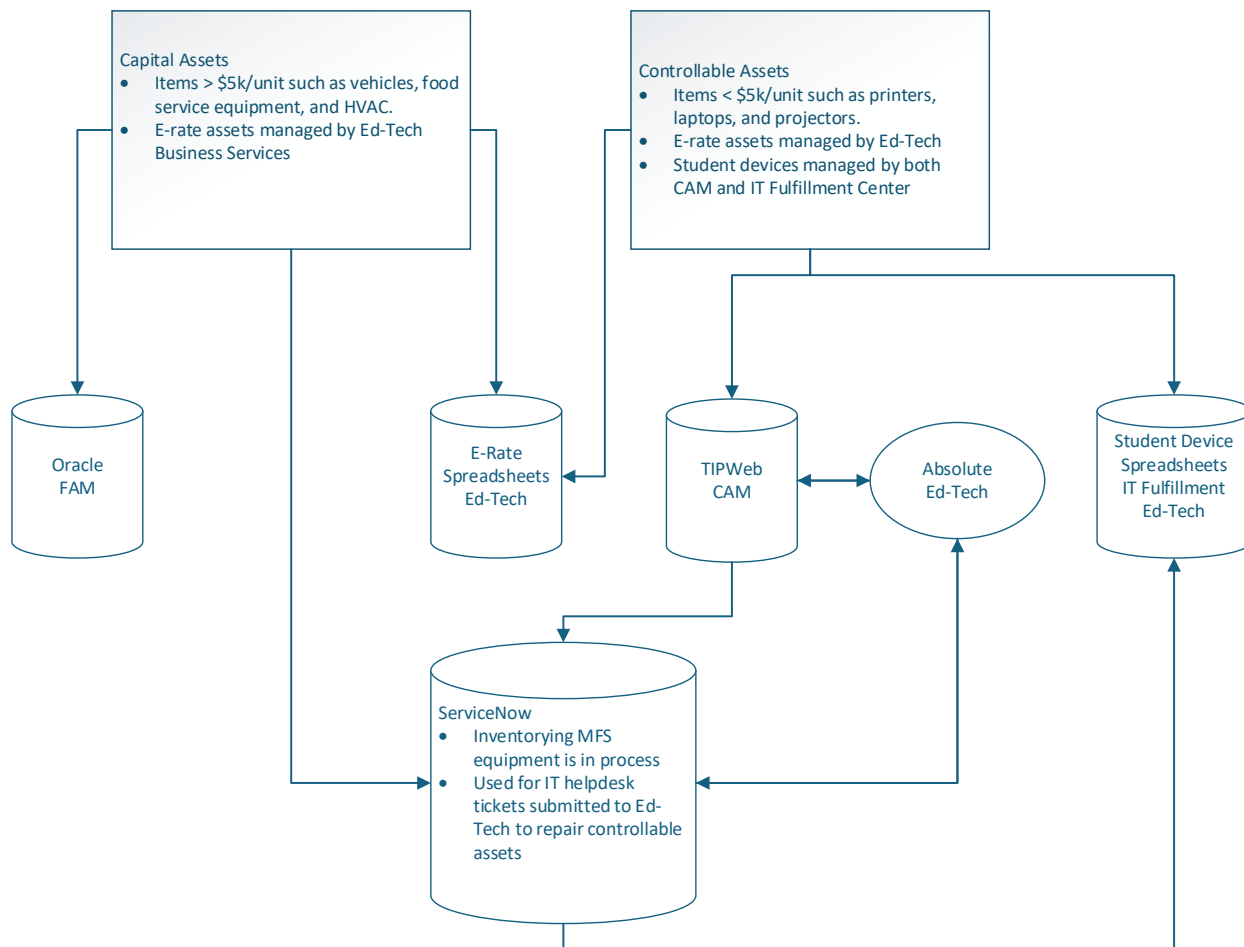
Additionally, Fulfillment Services within EdTech tracks student devices sent to campuses each school year. As these devices generally meet the definition of a controllable asset, they are input into TIPWeb and tracked by CAM as well as Fulfillment Services. To better manage these devices, EdTech purchased Absolute Resilience software (Absolute). Absolute enables EdTech to communicate with users of individual devices, determine location information, and remotely freeze devices. These features boost EdTech's ability to track devices and investigate and recover stolen or lost devices remotely. Absolute feeds information to TIPWeb daily, including user login activity, location, and the Mobile Device Management (MDM) status if a device was frozen. TIPWeb in turn feeds Absolute with serial numbers, tag numbers, location, and assigned user. Approximately 302,000 devices associated with the District have Absolute installed, and EdTech is currently working on implementing its full benefits.

In addition to TIPWeb, student and staff devices are tracked in ServiceNow, a cloud-based platform that issues and tracks technology service requests. There is an interface between

TIPWeb and ServiceNow that allows EdTech personnel to obtain the asset tags and serial numbers for devices they service; however, the interface does not automatically update TIPWeb for any work performed or changes made to asset status in ServiceNow. Maintenance and Facilities also uses this platform to issue and track work orders, and there are currently initiatives being implemented to track capital assets such as HVACs and major equipment in ServiceNow.

A flowchart (Exhibit 1) was created by OIA to illustrate the systems being used and where different types of assets are housed.

Exhibit 1



Receiving, Tagging, and Recording Assets

Capital and controllable assets should all be tagged, except for land, buildings, software, and certain assets that are physically difficult to tag. Capital assets are tagged either by Central Receiving (the District's central warehouse where assets are delivered and then distributed to the end using location), the end user department, or FAM. Controllable assets are typically tagged through Central Receiving or Global Asset, a third-party vendor to which most of the District's technology vendors such as Dell, HP, and Lenovo outsource tagging and delivery.

Assets are typically identified and recorded via purchasing records. Capital asset purchases, with the exception of bond construction purchases, are recorded initially through an invoice register from the Accounts Payable module in Oracle. Controllable asset purchases are uploaded to TIPWeb primarily using a combination of deployment lists provided by Global Asset and an interface to TIPWeb from Oracle for certain purchase order information based on account code.

Asset Transfers and Disposals

End users initiate transfers and disposals using the automated Equipment Removal Request (ERR) form in Oracle for capital assets or in TIPWeb for controllable assets.

Disposals of capital assets are delivered to the Kiest Warehouse. Items for resale are set aside for pickup by Lone Star, the District's authorized auctioneer. Proceeds from those items are sent via check to the Treasury Department and FAM will complete the asset disposal process by writing off the asset from the books once the ERR is closed and items have been collected.

For controllable assets, Global Asset collects the items directly from the requesting department or campus. As part of their service, Global Asset wipes technology devices. The on-site CAM representative ensures that the collected items agree to the ERR ticket and are disposed of in TIPWeb. A consignment report listing device information and price will be sent as well once items are sold. CAM then accounts for items sold in TIPWeb. The District receives proceeds equal to 50% of any items resold. Controllable assets were sold in fiscal year (FY) 2023-2024 with proceeds of \$220,810.

Physical Inventory Counts

Inventory counts are conducted separately by various departments depending on the type of asset. Capital asset counts are managed by FAM with individual campuses being counted at least once every two years. Controllable asset counts are scheduled to be conducted annually. The counts are conducted by the CAM representative at each campus or department with assistance from various school and CAM personnel.

Scope

The audit period focused on current processes and procedures along with related data for FY 2022-2023 and 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 objective of the audit was to review processes and controls surrounding management of the District's physical capital and controllable assets.

Methodology

Auditors interviewed key personnel, conducted walkthroughs, and reviewed supporting documents to understand processes and controls surrounding asset management.

Detailed audit procedures are noted below:

1. Capital Assets - To determine if capital assets were appropriately recorded, tracked, and monitored, auditors performed the following:
 - Obtained the capital asset listing from Oracle as of August 15, 2024, and analyzed data for completeness and reasonableness.
See Recommendation 2 in this report.
 - Reviewed the August 2024 Mass Additions report to verify applicable capital asset object codes were included and that proper accounting treatment was followed for a sample of items included in the report.
See Recommendation 2 in this report.
 - Obtained the Purchase Order Detail Report for certain non-capital asset object codes including 6319 (Custodial & Maintenance - Supplies), 6624 (Portable Buildings), 6349 (Food Service - Supplies), and 6348 (Food Service – Small Equipment) to search for unrecorded capital assets.
See Recommendation 2 in this report.
 - Reviewed the fixed asset inventory process and obtained the FAM inventory count results for FY 2023 and FY 2024 and analyzed data for completeness and reasonableness, including the resolution of items that could not be located.
See Recommendation 1 in this report.
 - Conducted visits at a sample of campuses to verify existence of recorded assets and identify potentially unrecorded assets, untagged assets, and obsolete assets.
No observations were noted.
2. Controllable Assets - To determine if controllable assets were properly identified, tagged, and monitored, auditors conducted the following:
 - Reviewed the Purchase Order Detail Report for object codes 6396 (Tech Equipment), 6397 (other F&E), and 6399 (General Supply) for FY 2024 and compared to the asset listing from TIPWeb as of July 9, 2024, to verify assets were appropriately recorded in TIPWeb.
No observations were noted; however, results were reported to management.
 - Obtained the campus participation report and inventory count results for CAM's FY24 inventory count and conducted ratio analysis.
See Recommendation 1 in this report.
3. Student Devices - To determine if student devices are properly managed, auditors reviewed EdTech's process for managing student devices, obtained student device data as of August 19, 2024, and conducted analysis of the number of devices distributed, the number of devices returned, and the number of damaged/missing devices.
See Recommendation 3 in this report.
4. Disposals/Obsolete Assets - To determine if disposals and obsolete capital assets are properly accounted for, auditors conducted the following:

- Obtained the ERR report from Oracle for FY 2024 and verified that disposed items were properly written off.
No observations were noted; however, results were reported to FAM.
- Obtained the asset retirement reports for the last three fiscal years and analyzed the population of federally funded capital assets with current market value higher than \$5,000 to determine if the required paperwork was submitted to TEA.
No observations were noted; however, results were communicated to SRFM and FAM.
- Reviewed capital assets auctioned in FY 2024 and the journal entries in Oracle to verify the asset sale was properly recorded.
No observations were noted.
- Obtained the consignment report in July 2024 and reviewed CAM's reconciliation process of controllable asset consignment to verify assets in TIPWeb reflected the correct status.
No observations were noted.

Primary criteria used for this audit were:

- 1) Texas Education Agency (TEA) Financial Accountability System Resource Guide (FASRG), Update 19, Model 1: Financial Accounting and Reporting, 2024
- 2) The Fiscal Management Division website (FMX) Reporting Requirements for the Annual Financial Reports of State Agencies and Universities, Controlled Assets, 2024
- 3) CQ (REG) – Technology Resources, September 1, 2020
- 4) Dallas Independent School District Accounting Services – Capital Asset Regulations and Procedures (Effective February 6, 2020)
- 5) Dallas Independent School District Controllable Asset Management Policies and Procedures Manual FY 2024 – 2025
- 6) Technology Equipment Use Agreement-Students & Parents/Guardians, FY24

Audit Observations and Recommendations

Observation 1 – Redundancies in asset management and inventory efforts were noted.

Condition

Auditors reviewed the District's asset inventory processes noting there are redundant efforts to conduct, manage, and oversee asset inventory counts. Auditors reviewed the inventory processes and count results for fixed assets and controllable assets noting neither were fully effective in tracking nor monitoring the District's assets. See below for details on redundant processes and flaws noted in the results.

Fixed Assets:

Inventory Process – Of the 11,500 assets recorded on the August 15, 2024 fixed asset listing, only around 2,000 (17%) are allocated and counted by the FAM accountants. The remainder of the assets are counted by other departments such as MFS, FCNS, and Transportation or are considered non-countable assets such as software, land, and buildings.

The assets counted by FAM accountants are currently documented manually using Excel spreadsheets. The assets counted by other departments are done via various and inconsistent

methods and sent to FAM upon request. To aid in their inventory counts, FAM recently invested in Motorola scanners and RedBeam software to potentially streamline the asset counting process. The scanners are currently only used by FAM and are not distributed to the other various departments who are responsible for counting the majority of the fixed assets.

Inventory Results – Auditors reviewed the results for the last capital asset inventory conducted and noted the following:

- Although FAM found a large majority of the asset population subject to their physical count, the results from the individual accountants were not consolidated or analyzed.
- The results of the counts done by other departments were not consistently documented or consolidated for analysis. Additionally, these counts could be conducted in a more efficient and effective manner. As an example, buses and District vehicles are often tracked using GPS; however, this technology is not currently leveraged to validate inventory, but rather FAM requests department administrators to conduct counts and report the results.
- The resolution of missing assets and the condition of existing assets were not consistently documented or reflected in the accounting records. On the inventory count conducted by FAM accountants, OIA noted 100 items with a net book value of \$140,951 that could not be located but were still reflected on the current asset listing.
- 187 assets, which appear to be taggable assets, did not have asset tag numbers in Oracle, and the location information has not been verified.

Controllable Assets:

Inventory Process – Controllable asset counts are conducted annually by the CAM representative at each campus/department. Campus assets are assigned in TIPWeb by rooms, staff, or students based on the type and location of assets. Each room must have a representative assigned to count the assets assigned to the room. The FY24 inventory count consisted of 13,925 room audits and 16,963 staff assigned asset audits across 238 campuses. Auditors were unable to determine the quantity of assets covered in these audits as that information is not easily accessible.

Some campuses have already purchased and are utilizing scanners to streamline their controllable asset inventory counts, and CAM has recently purchased additional scanners for campuses to utilize. These are different than the scanners used by FAM and integrate with TIPWeb.

Inventory Results – auditors reviewed the FY24 controllable asset inventory results in TIPWeb and noted the following:

- Campus participation averaged 55% for room assigned assets and 57% for staff assigned assets. Eighty-nine out of 238 schools have room audit participation lower than 50%. Seventy-three out of 238 schools have staff audit participation lower than 50%.
- Auditors were unable to determine the number of assets or associated dollar value of assets unaccounted for as the information is not currently tracked in this manner.
- Difficulties in determining all applicable controllable assets were considered in the annual inventory count as TIPWeb consists of numerous assets that are not counted or managed by CAM.
- Results were not analyzed to assess trends such as increases in lost or damaged items by campus/department, review of resource allocation, or to forecast future needs.

Student Devices:

Inventory Process – Student device inventory counts are conducted by both the campus during the annual controllable asset inventory count and by EdTech at the end of each year when they collect and reimage the devices. The controllable asset inventory is logged in TIPWeb and the EdTech asset inventory is managed manually via Excel spreadsheets.

EdTech is using the same scanners as CAM to inventory the student devices. Additionally, EdTech purchased Absolute software in December 2022 to track student device inventory in real time. The software has not yet been fully implemented; but once applied, the software will allow for the existence and use of the assets to be determined in real time, potentially eliminating the need for a physical inventory count.

Inventory Results - auditors reviewed student device data as of August 2024 and noted the following:

- EdTech primarily manages the results of their counts on an Excel spreadsheet. Although it is a manual process to track the inventory, the department is doing a good job of tracking the assets and analyzing the results (see Observation 3 for further details of count results).

Cause

Redundant inventory processes are due to the District's decentralized approach to inventory management. Additionally, there are some functional and collaborative gaps in the technology being leveraged to manage asset inventory that may be hindering efforts.

The current focus of asset management is primarily on conducting inventory counts to meet compliance requirements. Efforts to use the collected data for identifying problems, allocating resources, forecasting needs, and other purposes have not yet been initiated.

Effect

Ineffective and lack of robust processes for managing and tracking assets is resulting in the use of redundant resources, duplicative efforts, and inefficiencies. Additionally, the use of multiple systems to manage asset inventory has caused confusion amongst campuses/departments resulting in lack of participation and compliance with asset inventory processes.

Recommendation 1

To streamline the asset inventory process and allow for more cost-effective management of assets, the District should consolidate asset inventory efforts by considering the following:

- Select and utilize a single software to best manage asset inventory processes.
- Select and utilize a scanner that integrates with the asset inventory software. Distribute scanners to those performing the inventory counts.
- Review the asset inventory data to ensure it is accurate, complete, and up to date.
- Create distinct identifiers to label assets that are tracked for different reasons (i.e., controllable, fixed, e-rate, student devices)
- Leverage tracking mechanisms already being conducted by other departments to utilize in inventory counts (i.e., vehicles - GPS; student/staff devices - Absolute; MFS equipment - ServiceNow, FCNS, FileMaker). Integrate with the asset inventory software where viable.

Once the inventory process is streamlined and the data is accurate, it can then be used to effectively manage and monitor the District's assets for the following:

- Efficiently and effectively monitor to ensure all assets are inventoried in compliance with policies, processes, and procedures.
- Conduct analysis to identify trends such as allocation of resources, increases in lost or misplaced items, and forecast for future needs.
- Monitor to ensure sold or disposed of items are going through the proper channels.
- Integrate or reconcile the asset inventory results with Oracle to ensure accurate financial reporting.

Risk Level for Observation 1: Medium¹

Management Response

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response: The Controllable Asset Management and Fixed Asset Management departments acknowledge that a single inventory management software solution would be ideal. The departments will jointly examine options for a software solution that may serve as a central inventory database.

In tandem with the consideration of inventory management software solutions, the departments will examine options for compatible scanners that can also be deployed to all staff performing inventory counts.

Both departments have existing processes to review the asset inventory data before it is input into the current asset management software. Controllable Assets Management is included by department management in the requisition approval process (either through direct approval or email notification of purchases). Fixed Asset Management reviews all expenditures in detail before any are imported to the capital asset management system.

Using unique identifiers for product departments is difficult due to the District's use of outside vendors for asset tagging. Those vendors typically do not have access to the account code or funding source information that would indicate what identifier to apply to each item. Additional costs also may be incurred if the vendor requires additional labor to implement. However, possible solutions will be discussed with internal and external parties.

The tracking mechanisms used by other departments mentioned in the recommendation may continue to be used by their respective departments. Both departments will research and evaluate if integrations between those mechanisms and the selected central inventory database can be developed to ensure a single source for inventory reporting can be maintained.

Estimated Implementation Date: March 31, 2026

¹ See Attachment 1 for Definition of Risk Level.

Individuals responsible for implementation: Lyn Wilkerson, Manager Risk Management and Patrick Opoku, Manager Financial Services

Observation 2 – Instances of incorrect accounting for capital assets were noted.

Condition

During testing of the accounting treatment of District expenditures, OIA noted instances in which purchases were initially either improperly capitalized or expensed, as follows:

- Items that should be capitalized - OIA reviewed purchase orders coded to expense accounts for Custodial & Maintenance Supplies, Portable Buildings, Food Service Supplies, and Food Service Small Equipment and found purchases that should have been capitalized. Of the approximately 6,000 lines in the expense accounts reviewed, auditors selected nine POs with descriptions and dollar values that appeared to be potential capital assets. Of the nine selections, three were confirmed to be capital assets, totaling \$58,883 that were improperly expensed.
- Items that should be expensed - OIA reviewed one month of capital asset purchases in Oracle's Mass Additions module. The report consisted of 300 lines that are reviewed by FAM to ensure proper accounting. OIA noted instances of items that should have been coded to expense account object codes rather than capitalized. As an example, auditors noted 22 art supplies totaling \$443 were incorrectly coded as a capital purchase. Similarly, line items for heating repairs consisting of 58 line items costing approximately \$199,000 were also incorrectly coded as capital assets. FAM subsequently reclassified these items to correctly capture the expenses, but extensive research must be conducted to determine when items are not properly classified and coded on the front end.
- Throughout the review of the reports above, auditors noted various instances where units and unit prices were inaccurately reflected on the purchase order making it difficult to readily determine if the items should be capitalized or expensed based on the dollar threshold.

Cause

Manual requisition processes along with the substantial volume of transactions and end users who input requisitions have contributed to the issues noted above. Although automation efforts have been implemented to reduce account coding errors, the automated validation rules in place are not effective when items such as units and unit price are not accurately reflected on the purchase order.

Additionally, although there are multiple layers of review and approval of requisitions/purchase orders, they generally lack effective accounting review until payment or when inaccuracies are identified during monthly reconciliation processes.

Effect

While the instances noted above are not material, incorrect requisition/PO information has resulted in spending not being properly capitalized or expensed, creating inaccuracies in financial data and records. The account coding of purchase orders submitted incorrectly must be revised via journal entry. When reclassified on the backend, the journal entry will correct the official financial records; however, the original purchasing records are still inaccurately reflected making various reporting tools ineffective.

More importantly, incorrect purchase order information has led to significant inefficiencies as automated accounting processes are ineffective and Accounting must often do extensive research to identify and reclassify inaccurate purchase orders.

Recommendation 2

To improve both the accuracy and efficiency of capital asset accounting, FAM in collaboration with Procurement should consider the following:

- Enhanced training for end users and buyers to cover general ledger object code classification for requisitions/purchase orders and the general fixed asset capitalization policy, including the importance of utilizing the complete and correct unit and pricing per unit information for all lines of a requisition. As buyers tend to not have an accounting background, utilization of decision trees and other question-based methods to simplify the material should be considered.
- Where applicable, encourage departments to centralize responsibility for purchasing with one or two employees and provide individualized training with these personnel. Provide end users with quick access cards detailing the process steps and requirements with the contact information for FAM personnel included.
- Conduct analysis to determine purchases that are commonly miscoded or could be better represented on the purchasing records to more easily identify if it is a capital asset or an expense.
- Continue back-end monitoring to identify inaccuracies, determine underlying reasons, and retrain end users and reviewers.

Risk Level for Observation 2: Medium²

Management Response

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response: Fixed Asset Management will deliver training on account coding and the fixed asset capitalization policy to both end users and buyers so that both understand how to

² See Attachment 1 for Definition of Risk Level.

correctly code fixed asset requisitions. The Purchasing Department will review requisitions to correct end user requisition miscodings. Note that resources for coding are available on the [Dallas ISD Chart of Accounts](#) and the TEA Financial Accountability System Resource Guide (FASRG) [Module 1 Appendices](#). End users and buyers have access to these resources. Fixed Asset Management will continue back-end monitoring of expenditures to identify requisitions that were not corrected by buyers and regularly review them with Procurement as a “lesson learned” for Procurement’s correction of future requisitions.

Estimated Implementation Date: March 31, 2026

Individuals responsible for implementation: Patrick Opoku, Manager Financial Services and Candace Yarbough, Executive Director of Procurement

Observation 3 – Instances of high damage rates for student devices were noted.

Commendations

The return rate of student devices has dramatically improved since the last audit conducted by OIA. EdTech has incorporated numerous initiatives to improve the management of student devices, including (i) installing Absolute Resilience on student devices to allow EdTech to communicate directly with students and lock devices if necessary, (ii) encouraging campuses to assign devices to carts and not individual students, (iii) extensive and numerous campus visits with principals and CAM representatives, and (iv) virtual and in-person training focused on specific device management policies and procedures. EdTech is also currently developing a dashboard that will highlight live data for deployments, damages, and collections of student devices by campus.

Condition

OIA reviewed EdTech’s FY24 inventory results noting that 160,013 student devices were distributed with 136,664 (85%) returned. Auditors noted some of the devices returned may have been from distribution in prior school years. Of the devices returned, 25,422 (19%) were returned damaged with 15 campuses having a damaged device rate higher than 40%. According to Ed Tech’s reporting, losses due to damaged student devices approximated \$8.2 million for the 23-24 school year. Furthermore, auditors noted the 160,013 devices deployed are approximately 20,000 or 15% higher than the average number of students enrolled during the 2023-2024 school year and approximately 37,000 or 31% higher than the average student attendance for the school year.

Cause

Damaged or missing devices can occur through normal daily usage, and there has been significant improvement in the device return rates; however, a higher rate of damaged or missing devices is still occurring due to lack of accountability or recourse. Most of the student devices are purchased with bond funds rather than campus budgets. EdTech has a responsibility to provide campuses with devices regardless of misuse. There is currently no monetary or other recourse to the campus if a device is not properly cared for.

Devices are often deployed over the enrollment rate as a result of anticipated damage or loss based on EdTech’s historical experience.

Effect

Increasing instances of damaged or missing student devices could result in unnecessary costs to purchase replacement devices.

Recommendation 3

To improve the sustainability of student devices within the District, EdTech, in collaboration with School Leadership, should consider the following:

- Develop an overarching policy with the goal of safeguarding student devices.
- Enforce the policy by implementing preventive and recourse actions for campuses that have high rates of damaged or lost devices. Examples include replacement fees or insurance charges. It was noted that some campuses have already implemented these measures.
- Leverage Absolute to compare the volume of active devices within the District's geographical area with estimated enrollment to aid in purchasing decisions. In the longer term, use Absolute to optimize the allocation of student devices across all campuses.
- Implement the geofencing features of Absolute Resilience to send notifications to EdTech when cart-based devices leave the school. Incorporate additional geofences for devices assigned to students as appropriate.

Risk Level for Observation 3: Medium³

Management Response

Acknowledgement of observation:

☒ Agree

☐ Disagree

Management Response: The EdTech Department will present documentation on device management to School Leadership to collaboratively develop a plan to reduce the high number of damaged devices. The plan should include provisions for campus or parental responsibility regarding replacement fees or insurance charges. The EdTech Department will also collaborate with our Absolute consultant to implement geofencing features in Absolute Resilience. These features will alert the EdTech Asset Recovery team when cart-based devices leave the school, and we will add geofences for student-assigned devices as needed.

Estimated Implementation Date: August 2025

Individuals responsible for implementation: EdTech Fulfillment Director and EdTech Associate Superintendent

³ See Attachment 1 for Definition of Risk Level.

Conclusion

An effective asset management approach supported by robust asset inventory systems is critical to ensure that the District optimizes asset purchases and usage to provide for cost savings and improved efficiency.

Overall, processes are in place to manage capital and controllable assets. Implementation of the recommendations in this report would improve the visibility, accountability and reliability of asset data to assist the District in properly allocating resources, identifying issues, and forecasting for future needs.

We would like to thank FAM, CAM, EdTech, and SRFM for their cooperation and assistance with this audit.

The audit was conducted in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards*. Those standards require OIA to plan and perform the audit to obtain sufficient, reliable, and relevant evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Respectfully submitted,

Robert Rubel

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

Cc: Pamela Lear, Ed.D., Deputy Superintendent, Chief of Staff and Racial Equity Officer
Eduardo Ramos, Chief Financial Officer, Financial Services
Candace Yarbough, Executive Director II, Procurement Services, Financial Services
Edward Sorola, Executive Director II, Accounting Services, Financial Services
Sarbani Majumdar, Director III, Accounting Services, Financial Services
Joby Kurkakkaran, Assistant Director, Accounting Services, Financial Services
Patrick Opoku, Manager I, Fixed Assets, Accounting Services, Financial Services
Latoya Robinson, Executive Director I, Risk Management
Lyn Wilkerson, Manager I, Asset Management, Risk Management
Sean Brinkman, Chief Technology Officer, Educational Technology Administration
Marlon Harrison, Assistant Superintendent, Enterprise Support & Program Management, Educational Technology Administration
Theresa Ross, Director I, IT Fulfillment, Enterprise Support & Program Management, Educational Technology Administration

Acknowledgments:

Eva Narten, CPA, CIA, CISA, Deputy Chief, Internal Audit
Shelly Kelley, CPA, Audit Director II
Sam Willson, CFE, Audit Manager
Karyn Pfeffer, CPA, Auditor II
Claire Chen, CPA, CISA, Auditor II
Ashton Loyd, MBA, Auditor I

Definition of Risk Level

Risk Level	Definition
High	These risks could directly impact achievement of a strategic or important operational objective of the District. There is a high probability of occurrence that would significantly impact the District and/or have a significant financial, reputational, or compliance risk.
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 – Redundancies in asset management and inventory efforts were noted.

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response: The Controllable Asset Management and Fixed Asset Management departments acknowledge that a single inventory management software solution would be ideal. The departments will jointly examine options for a software solution that may serve as a central inventory database.

In tandem with the consideration of inventory management software solutions, the departments will examine options for compatible scanners that can also be deployed to all staff performing inventory counts.

Both departments have existing processes to review the asset inventory data before it is input into the current asset management software. Controllable Assets Management is included by department management in the requisition approval process (either through direct approval or email notification of purchases). Fixed Asset Management reviews all expenditures in detail before any are imported to the capital asset management system.

Using unique identifiers for product departments is difficult due to the District's use of outside vendors for asset tagging. Those vendors typically do not have access to the account code or funding source information that would indicate what identifier to apply to each item. Additional costs also may be incurred if the vendor requires additional labor to implement. However, possible solutions will be discussed with internal and external parties.

The tracking mechanisms used by other departments mentioned in the recommendation may continue to be used by their respective departments. Both departments will research and evaluate if integrations between those mechanisms and the selected central inventory database can be developed to ensure a single source for inventory reporting can be maintained.

Estimated Implementation Date: March 31, 2026

Individuals responsible for implementation: Lyn Wilkerson, Manager Risk Management and Patrick Opoku, Manager Financial Services

Observation 2 – Instances of incorrect accounting for capital assets were noted.

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response: Fixed Asset Management will deliver training on account coding and the fixed asset capitalization policy to both end users and buyers so that both understand how to correctly code fixed asset requisitions. The Purchasing Department will review requisitions to correct end user requisition miscodings. Note that resources for coding are available on the [Dallas ISD Chart of Accounts](#) and the TEA Financial Accountability System Resource Guide (FASRG) [Module 1 Appendices](#). End users and buyers have access to these resources. Fixed Asset Management will continue back-end monitoring of expenditures to identify requisitions that were not corrected by buyers and regularly review them with Procurement as a “lesson learned” for Procurement’s correction of future requisitions.

Estimated Implementation Date: March 31, 2026

Individuals responsible for implementation: Patrick Opoku, Manager Financial Services and Candace Yarbough, Executive Director of Procurement

Observation 3 – Instances of high damage rates for student devices were noted.

Acknowledgement of observation:

- ☒ Agree
- ☐ Disagree

Management Response: The EdTech Department will present documentation on device management to School Leadership to collaboratively develop a plan to reduce the high number of damaged devices. The plan should include provisions for campus or parental responsibility regarding replacement fees or insurance charges. The EdTech Department will also collaborate with our Absolute consultant to implement geofencing features in Absolute Resilience. These features will alert the EdTech Asset Recovery team when cart-based devices leave the school, and we will add geofences for student-assigned devices as needed.

Estimated Implementation Date: August 2025

Individuals responsible for implementation: EdTech Fulfillment Director and EdTech Associate Superintendent

Criteria by Observation

Observation 1 – Criteria

Dallas Independent School District Accounting Services – Capital Asset Regulations and Procedures (Effective February 6, 2020)

7. Numbering and Tagging Fixed Assets

All fixed assets equipment will be assigned or affixed a FA tag number before the item is placed into service. This number will be recorded in Oracle and shall be the number used and referenced when conducting physical inventories. The tag numbers will be issued in sequential order with no duplicates or breaks in the numbers used.

15. Retirement and Disposal of Fixed Assets

All District personnel can initiate the disposal of an asset in the Oracle financial System using the Fixed Assets transfer/disposal form. The disposal form will then be approved by the school principal or the administrative department head. Each asset proposed for disposal will be listed individually. The approved form then goes to Fixed Assets Management for review and approval. Upon approval, the ERR FORMS goes to the Motor Pool department for a scheduled pick up.

Upon disposal/transfer of an asset by the Motor Pool department, a signed copy of the forms is sent to the Service Center to initiate a "Delivery Complete" status in Oracle. The Service Center staff then mails a copy of the completed the forms to the Fixed Assets Management Team for a final closure of the form. Fixed Assets Management team would then transfer/disposed in Oracle Fixe Assets all the assets stated on the Equipment Transfer and Disposal Form.

16. Physical Inventories

- Fixed Assets Management will prepare an inventory schedule that includes all schools/departments that are going to be inventoried for that fiscal year.
- After collecting the inventory data, Fixed Asset Management will compare the results with the system records to create exception/reconciliation reports.
- Where field results for an asset are the same as the information in the fixed asset records, the asset will be updated as "reconciled" and the date of inventory recorded in the asset record.
- If there is a discrepancy between the field inventory information for an asset and the fixed asset records, the discrepancy will be marked as an exception and added to a file containing items which will require reconciliation and/or adjustment by the department.

Dallas Independent School District Controllable Asset Management Policies and Procedures Manual FY 2024 – 2025

Tagging of Inventory

All items which meet the definition of a controllable asset as mentioned in the overview section should be asset tagged. These items include any assets between the values of \$100.00 and \$4999.99.

An asset tag number is to be assigned and permanently affixed to each district property item whether received by a central receiving office or directly by a department prior to the item being placed in use or released outside the initial receiving activity. For an item received by a central receiving activity for a department, the asset tag number will be assigned and permanently affixed by the central receiving office prior to the item being delivered or released to the campus/department.

Dallas Independent School District Controllable Asset Management Policies and Procedures Manual FY 2024 – 2025

Campus or Department Controllable Asset Inventory

Per Texas Government Code, Section 403.273, and in accordance with CFB (Local), each Campus Head must conduct a minimum of one physical inventory of its district property assets each fiscal year. Each Department Head must conduct a minimum of one physical inventory of its district property assets each fiscal year.

Each school year, campus and administrative department staff will verify the inventory of Controllable Assets in the individual rooms they are assigned to. The inventory will be conducted by scanning or entering the individual items that are designated as in the scope of a particular audit.

1. **Room-Assigned Asset Inventories**—Campus Asset Managers will ensure staff members are assigned to their primary room (homeroom) or office in the inventory control database prior to the creation of a campus or administrative office inventory in the database. Assets in locations that are not occupied by a staff member will be inventoried with the assistance of Controllable Asset Management when necessary. *Only the staff who occupy the stated primary room (homeroom) or office are to inventory the assets in that location. Performance of this function by the Campus Asset Manager or other staff is in opposition to the purpose of the inventory process.*
2. **Staff Assigned Asset Inventories**—Items issued to staff members will be inventoried by the respective staff member through an inventory database interface.
3. **Student-Assigned Asset Inventories**—When possible, items issued to students will be inventoried by the respective student through an inventory database interface. Items issued to students will be audited at a central location on campus. The time and location will be at the discretion of the Principal in coordination with the Campus Asset Manager.

Controllable Asset Management Reconciliation Process

Following the completion of each campus inventory, Controllable Asset Management will reconcile the audit of each campus to identify missing controllable assets and research any assets not located by a campus staff member.

Following the completion of a department inventory, Controllable Asset Management will reconcile the audit of each department to identify missing controllable assets and inventory any assets not located by a department staff member.

Evaluation of Inventory Results

Inventory results will be evaluated based on the accuracy of the inventory in the database of a campus or department in relation to the physical campus or department location of the inventoried items. Accuracy will be measured by the number of Missing items in a campus or department inventory.

Observation 2 – Criteria

Dallas Independent School District Accounting Services – Capital Asset Regulations and Procedures (Effective February 6, 2020)

3. Fixed Asset Capitalization

Capital fixed assets shall be purchased under the appropriate 6600 object code;

8. Acquisition by Purchase

The Schools and/or Departments are responsible for ensuring that the appropriate capital or controllable category code is utilized for the purchase. Requisitioners are also responsible for entering appropriate descriptions in order for the receiving personnel to properly identify and classify the asset for fixed asset purposes upon receipt.

Observation 3 – Criteria

Technology Equipment Use Agreement-Students & Parents/Guardians, FY24

3. Maintenance and Repair. Normal and reasonable wear and tear are expected. Gross negligence will not be tolerated. It is the Student's responsibility to provide reasonable care and to coordinate required repairs through the principal's campus designee. Parents/Guardians are responsible for the cost of repair and replacement of damaged and lost devices.

4. Use. The Student agrees that the equipment will not be subjected to unnecessarily rough usage, that it will be used in accordance with its design, and that its use will conform to all applicable laws, Dallas ISD policies, and regulations. The Student agrees not to allow the use of the equipment for illegal purposes or for operating the Student's own or another's personal or commercial business. The Student will conform to the terms of Dallas ISD's Student Code of Conduct and Acceptable Use Policy.

7. Loss or Damage. Pursuant to Texas Education Code Section 31.104, each Student, or the Student's Parent or Guardian, is responsible for all instructional materials and technological equipment not returned in an acceptable condition by the Student. A Student who fails to return in an acceptable condition all instructional materials and technological equipment forfeits the right to free instructional materials and technological equipment. Dallas ISD shall allow the Student to use instructional materials and technological equipment at school during each school day.