Internal Audit Report
Campus-Based Controls-
L.V. Stockard Middle School

August 14, 2017

Office of Internal Audit
Executive Summary

In accordance with the Fiscal Year (FY) 2016-2017 Audit Plan, the Office of Internal Audit has completed a campus based controls audit of L. V. Stockard Middle School (LVMS). Our audit procedures identified opportunities for improvements in controls at LVMS. The implementation of corrective actions to address the noted deficiencies would assist LVMS in achieving compliance with District policy and external regulatory requirements. Improvements in controls could also help to limit the opportunity for misappropriation of funds and other unauthorized activities.

The following issues/deficiencies were identified during test work of the campus based controls:

1. Prescribed Activity Funds (AF) Manual policies and procedures were not followed by the campus as evidenced by:
   - Monthly AF reconciliations not submitted by due date.
   - Supporting AF documentation not attached to Oracle receipts.
   - Funds collected by school sponsors not receipted promptly.
   - Funds collected by school sponsors not traceable to Oracle receipt and bank statement.
   - AF records not maintained by school sponsor.
   - AF Request for Purchase and Payment Forms incomplete and/or not prepared.

   These deficiencies resulted from a lack of oversight and/or non-compliance to established AF policies and procedures by the previous school administration and financial clerk.

   The AF Manual explains the requirements for activity funds management and is designed to help ensure compliance with related Dallas ISD Board of Trustees (Board) policies and procedures. The AF Manual outlines the responsibilities of all campus staff involved and includes direct references to key Board policies and procedures.

2. The Daily Attendance Detail report (this report records the student's daily attendance to determine whether the student was present or absent at the official attendance-taking time or at the alternate attendance-taking time set for that student) did not agree with supporting documentation. Attendance was not managed properly by the campus for the sample selected.

   The primary purpose for the TEA’s collection of student attendance data is to ensure Foundation School Program (FSP) funds can be allocated to Texas’ public schools. All public schools in Texas must maintain records to reflect the average daily attendance (ADA) for the allocation of these and other funds according to the TEA.

Objective, Scope and Methodology

The overall objectives of our audit were to:

- Determine if the campus is in compliance with all applicable District policies as well as external regulatory requirements
• Determine if the campus has adequate internal controls established and implemented to limit exposure to unauthorized or inappropriate transactions

• Verify the campus has retained appropriate supporting documentation for transactions.

The scope of this audit was to review and/or analyze key personnel, procedures, processes, and data/information for FY 2015-16 as well as the current fiscal year just ended 2016-2017.

The audit focused on evidence that provided reasonable, but not absolute, assurance that controls were operating with sufficient effectiveness during the scope of the audit. Our methodology included reviews of procedures and analysis of selected documents and transactions. The audit was conducted in accordance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

Background

The Audit Plan for FY 2016-17 includes campus based controls audits. The specific campuses selected are based on input from School Leadership Executive Directors as well as the Finance and Accounting Support to Campuses Department (FASC).

LVMS has an enrollment of approximately 1,192 students that range from 6th through the 8th grade. The campus administration consists of a principal and five assistant principals. The current principal assumed her responsibilities at the campus in August 2017, and the former principal left at the end of his second year at the school. The total number of support staff at the campus is approximately 118; refer to the table below for further detail.

<table>
<thead>
<tr>
<th>L.V. Stockard Middle School Campus Staff 2016-2017 School Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
</tr>
<tr>
<td>Teachers</td>
</tr>
<tr>
<td>Counselors</td>
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<tr>
<td>Librarian</td>
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<tr>
<td>Data Controller</td>
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<tr>
<td>Registrar</td>
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<tr>
<td>Attendance Clerk</td>
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<tr>
<td>Main Office Clerk</td>
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<tr>
<td>Counselor’s Clerk</td>
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<tr>
<td>Media Clerk</td>
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<tr>
<td>Parent Instructor</td>
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<td>Teacher Assistants</td>
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<td>Monitors</td>
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<tr>
<td>Instructional Coaches</td>
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<tr>
<td>Nurse</td>
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<tr>
<td>Assistant Nurse</td>
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<tr>
<td>Food Service</td>
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</tbody>
</table>
L.V. Stockard Middle School
Campus Staff 2016-2017 School Year

<table>
<thead>
<tr>
<th>Position</th>
<th>Number of Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custodian</td>
<td>3</td>
</tr>
<tr>
<td>Lead Person</td>
<td>1</td>
</tr>
<tr>
<td>Office Manager</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>118</strong></td>
</tr>
</tbody>
</table>

Observations, Recommendations, and Management’s Action Plan

A lack of oversight contributed to cash receipts and month end reconciliations not being completed in a timely manner, and for the non-compliance to established AF policies and procedures for maintaining supporting documentation. These deficiencies noted are detailed below.

**Issue 1: Activity Fund Policies and Procedures Not Followed**

a. Monthly AF Reconciliations not submitted to FASC by the due date.
   Per review of the dates on copies of monthly AF reconciliations, the auditor determined various monthly reconciliations, specifically during FY 2015-16, were not submitted to FASC by the due date.

b. Required supporting documentation not attached to respective Oracle receipts.
   The auditor selected a sample of receipting transactions and determined supporting documents, Tabulation Forms, S1 Receipts, and/or Ticket Stubs, were not attached to the respective Oracle receipts. Supporting documentation helps ensure all funds collected from students is turned in to the bookkeeper for receipting and depositing.

c. Funds collected by school Sponsors were not receipted promptly.
   The auditor determined that in some instances funds, collected by sponsors and turned in to the former bookkeeper, were not receipted in the Oracle System on the same day of collection or immediately thereafter.

d. AF not traceable to Oracle Receipts, Oracle Cash Receipt Register and/or bank statements.
   The auditor was not able to determine if funds collected in March 2016 in the amount of $1,324 for a Valentine’s Day Dance and $380 in April, 2016 for Chocolate Sales were receipted and prepared for deposit by the former school bookkeeper. The funds were not traceable to an Oracle Receipt, Oracle Cash Receipt Register, and/or bank statements. However, according to the school’s cheerleading sponsor, who collected and submitted the funds to the bookkeeper, there were no fund shortages in the cheerleading account.

e. AF Records not maintained by school Sponsor.
   Per discussions held with the school’s cheerleading sponsor, the auditor determined copies of Oracle Receipts and supporting documents, Tabulation Forms, S1 Receipts, and/or Sponsor’s Deposit Slips were not maintained in the sponsor’s files. Keeping copies of all AF records help sponsors maintain accurate records of all funds collected and disbursed for their respective organizations. Copies of records also help identify any discrepancies in fund balances and facilitate potential audits.
f. **Incomplete AF Request for Purchase and Payment Forms.**

The auditor selected a sample of AF purchasing transactions and determined that, in some instances, required AF Request for Purchase and Payment Forms were incomplete and/or not prepared by the former school bookkeeper. Failure to complete the forms indicate a funds availability review may not have been performed by the bookkeeper and/or that requests for purchases may not have been reviewed/approved by the school principal and/or the school's Board of Control.

**Risk Level- MH**

**Recommendations:**

a. The school principal should ensure monthly reconciliations be prepared by the bookkeeper, review and approve the reconciliations, and ensure these are submitted to FASC by the 10th calendar day of each month.

b. The principal should ensure that school staff/sponsors prepare all required supporting documentation for all funds collected and the bookkeeper reviews all the documentation prior to issuing the appropriate Oracle receipts.

c. The school principal should ensure all school sponsors remit all funds to the bookkeeper on the day collected and the bookkeeper promptly verifies the amounts, receipts the funds into the appropriate Oracle accounts, and prepares the funds for deposit and transfer to the courier service, in a timely manner.

d. The principal should ensure the bookkeeper and all school sponsors receive the required AF training and be constantly reminded of their specific responsibilities, as noted on the AF Manual and **Acknowledgement of Activity Fund Responsibilities** forms.

e. The principal should ensure all school sponsors adhere to established AF policies and procedures, as noted on the AF Manual and sponsor **Acknowledgement of Activity Funds Responsibilities** form.

f. The principal should ensure no expenditures of funds be approved unless sufficient funds are available in the appropriate accounts and that the BOC help ensure all funds raised by students be properly monitored, deposited and expended by reviewing all requests for purchases, payments and reimbursements.

**Acknowledgement of findings:**

☑ Agree

☐ Disagree

**Management’s Responses:**

a. The office manager and financial clerk will work together to ensure these are completed on a monthly basis prior to the deadline.

b. All staff are expected to turn in documentation correctly and will attend training. Training for staff occurring Wednesday, August 23rd at Molina High School.


e. Expectation shared with all sponsors. Training for all sponsors occurring on August 23, 2017, at Molina High School.
f. We will ensure these are done in a timely manner and that we continue to monitor the usage of the accounts.

**Estimated Implementation Date:** November 2017

**Responsibility for Implementation:**
- a. Financial Clerk, Office Manager, Principal
- b. All Sponsors, Financial Clerk, Principal
- c. Principal, all Sponsors, Financial Clerk, Office Manager
- d. Financial Clerk, Office Manager, Principal
- e. All Sponsors, Office Manager, Financial Clerk, Principal
- f. Financial Clerk, Principal, BOC

**Issue 2: Attendance Not Properly Recorded**

The attendance clerk did not follow attendance requirements and procedures. The Daily Attendance Detail report did not agree to supporting documentation (TEA Student Attendance Accounting Handbook, Section 3.6.3 Requirements for a Student to Be Considered Present for FSP (Funding) Purposes). Attendance was not managed properly by the campus for the sample selected as evidenced by the attendance clerk incorrectly recording:
- an excused absence as unexcused.
- no absence for an in-school suspension.
- a student that was present as absent.
- no record of a late arrival and four excused absences on the Attendance Detail report.

**Risk Level - MH**

**Recommendation:**
Management should ensure all attendance and absences are correctly recorded. Each 6-week reporting period, the campus personnel responsible for ensuring student attendance accounting codes are correct should generate Student Detail Reports and review them for reasonableness.

**Acknowledgement of finding:**
- [x] Agree
- [ ] Disagree

**Management’s Response:**
We will ensure this is followed-up on from our end.

**Estimated Implementation Date:** November 2017

**Responsibility for Implementation:**
Attendance Office Clerk, Registrar, Principal
Conclusion
Our audit focused on evidence that provided reasonable, but not absolute, assurance that controls at L. V. Stockard Middle School were operating with sufficient effectiveness during the scope of the audit. We found this to be the case for the areas reviewed with the exception of the issues noted above.

We would like to thank the principal and staff at L.V. Stockard Middle School for the hospitality and courtesy extended to us during the audit.