



OFFICE OF INTERNAL AUDIT

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Student Activity Funds for the Fine Arts Program

Kinder High School for the Performing and Visual Arts

Issue Date:
May 18, 2020

EXECUTIVE SUMMARY

BACKGROUND

Kinder High School for the Performing and Visual Arts (Kinder HSPVA) is a Fine Arts magnet school that is in District V of the Houston Independent School District (HISD). Like all HISD schools, Kinder HSPVA manages various school activity funds that consist of resources received and held by the school. These funds are accumulated from various school approved fund-raising activities, student dues and fees, commissions, investment interest, and donations. The majority of Kinder HSPVA's collections and disbursements are associated with the Fine Arts Program (FAP), which had six concentration areas, i.e., visual arts, creative writing, theatre, music, vocal, and dance. As of April 30, 2019, the school's activity funds balance was about \$254,000.

We conducted an audit over a period of three years of the student activity funds at Kinder HSPVA. This audit was requested by two members of the public who were concerned about the activities of an outside organization, i.e., HSPVA Friends (Friends), that allegedly collected student activity funds that were to be used for the FAP. Specifically, the concerns were related to the fees collected for visual arts, field trips, and performances. In addition, it was alleged that the Friends managed the box office ticket sales.

According to District policy, an outside organization should be a valid stand-alone organization with its own identity. There should never be any confusion about the identity of the outside organization and the school. Also, the outside organization should not manage any part of the school's financial operations.

AUDIT OBJECTIVE

The objective of our audit was to determine whether the Friends conducted financial activities for Kinder HSPVA that should have been performed by the school itself, with emphasis on the activities related to the following.

- Visual Art Fees
- Field Trip Fees
- Performance Fees including box office ticket sales

AUDIT SCOPE

To accomplish our objective, we examined the activity funds documentation associated with the Fine Arts Program's (FAP) and, if deemed applicable, other program funds collected by the Friends during the following school years:

- School Year 2016 -2017
- School Year 2017- 2018
- School Year 2018-2019 for subsequent activities that were related to the prior school years

In addition to the public members' request, we also determined whether Kinder HSPVA:

- Complied with the HISD Finance Procedures Manual, Section 300, in managing and maintaining student activity funds;
- Properly and timely accounted for the FAP activity funds that were collected by the Friends;
- Properly distributed the school's activity funds for the FAP.

We did not audit the Friends' financial records. They are an outside organization with their own CPA for audit purposes. However, the Friends willingly provided the records to support the activity funds that were collected by their organization.

AUDIT APPROACH

To accomplish the audit objective and scope, we:

- Researched previous compliance investigation files and obtained Kinder HSPVA's corrective action plans;
- Met with two public members to understand their concerns;
- Interviewed the School Principal and the General Clerk;
- Met with the Executive Director of HSPVA Friends to understand the process of collecting and managing the cash receipts and cash disbursements on behalf of Kinder HSPVA;
- Obtained and reviewed the following documents:
 - Controller's Finance Procedures Manual for School Activity Funds
 - Booster Club Guidelines
 - Documentation provided by the concerned public members
 - Cash Receipts Books and Disbursement Voucher Books
 - Tabulation of Monies (AF-104)
 - Fund-Raising Activity Reports (AF-108)
 - Recap of Activity Funds Deposits (AF-114)
 - Records provided by the Friends (Support for the collections and disbursements on behalf of Kinder HSPVA)
 - District's accounting general ledger for the school's FAP
- Conducted a trend analysis of cash receipts for school years 2016-2017, 2017-2018, and 2018-2019 for the period from August 2018 to April 15, 2019.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Accordingly, it included test of records and other auditing procedures that we deemed necessary under the circumstances.

OVERALL CONCLUSIONS

Overall, we concluded that the involvement of the Friends in collecting student activity funds for the Fine Arts Program was not in compliance with District policy. There was insufficient oversight for the activity funds that were collected by the Friends. And there was a lack of effective guidance regarding the Friends' involvement with the school to help manage the activity fund accounts and to conduct non-school sponsored fundraising activities.

In addition to addressing the public members' request above, we also determined that:

- Kinder HSPVA did not comply with the Finance Procedures Manual, Section 300, in managing and maintaining student activity funds. We noted the following non-compliant activities occurred:
 - Improper processing of donations
 - Improper use of PowerUp funds
 - Improper deposit method for cash receipts
 - Late deposits for cash receipts
 - Lack of imposing and collecting sales tax on taxable items
 - Lack of required approval documentation for the school's fundraising activities and donations
- Kinder HSPVA did not properly and timely account for the FAP's activity funds that were collected by the Friends. Those funds were kept by the Friends and they were not returned to Kinder HSPVA until October 31, 2018, as a result of an investigation that was held by HISD's Office of Ethics and Compliance.

The results of our audit are summarized in the chart on the next page. The associated findings and recommendations are discussed in more detail beginning on page 6.

SUMMARY OF AUDIT FINDINGS	
Items Tested	Audit Findings
Determine whether the involvement of the Friends in collecting activity funds for the school's FAP complied with District policy.	<p>The involvement of the Friends in collecting activity funds for the school's Fine Arts Program (FAP) was not in compliance with District policy. Those funds should have been handled by the school through the student activity fund accounts.</p> <p>Also, the existing controls around the funds that were collected by the Friends on behalf of Kinder HSPVA were found to be inadequate. Although the school administration reviewed the transaction documentation, they solely relied on the Friends' accounting records to manage the collections and disbursements of the funds. They did not maintain their own records to validate the accuracy and completeness of those funds.</p> <p>(See pages 6-11)</p>
Determine whether Kinder HSPVA complied with the HISD Controller's Finance Procedures Manual, Section 300, in managing and maintaining student activity funds for the FAP.	<p>Kinder HSPVA did not comply with the District policies in managing and maintaining student activity funds for the FAP. There was insufficient training on applying the District's policies of the student activity funds which triggered the following non-compliance:</p> <ul style="list-style-type: none"> ○ Donations were not paid to the HISD Treasury Department as required. ○ Donations at \$5,000 or above were not approved as required. ○ PowerUp funds were misused for a non-computer related expense. ○ Cash receipts were not transported to the bank using a required courier until January 2019. ○ Cash receipts were not deposited timely as required. ○ Sales tax was not imposed and collected on taxable items. ○ Certain school fundraising activities were not supported by the required approval form which should have contained the signature of school Principal. <p>(See pages 11-19)</p>

SUMMARY OF AUDIT FINDINGS (Continued)	
Items Tested	Audit Findings
Determine whether Kinder HSPVA properly and timely accounted for the FAP's activity funds that were collected by the Friends.	<p>Kinder HSPVA did not properly and timely account for the FAP's activity funds that were collected by the Friends. Those funds were retained by the Friends, and they were not returned until October 31, 2018, as a result of an investigation that was held by HISD's Office of Ethics and Compliance. The Friends returned \$100,595 to Kinder HSPVA.</p> <p>(See pages 6-11)</p>

Approved:



Garland W. Blackwell, CPA, CIA
 Chief Audit Executive
 Office of Internal Audit

cc: Board of Education
 Grenita Lathan, Interim Superintendent
 Silvia Trinh, Chief of Staff
 Glenn Reed, Chief Finance Officer
 Yolanda Rodriguez, Interim Chief Academic Officer
 Cesar Martinez, Area Superintendent
 Amy Poerschke, School Support Officer/Lead Principal
 Robert S. Allen, Principal, Kinder HSPVA
 Kevin Hodges, Manager, IT Department

FINDINGS AND RECOMMENDATIONS

1. Improper Collection of Activity Funds

Using the Friends, an outside organization, to collect and manage the activity funds for the school's Fine Arts Program (FAP) was not in compliance with HISD's Finance Procedures Manual, Section 301, which states, *"All funds collected by District personnel from students are defined as Activity Funds and must be handled through the activity funds accounts."* And Section 317b, which states, *"If students or employees are involved as contributors or fundraisers, then the funds are to be handled through the school activity funds accounts as a school or club function."* Those funds including the following fees, should have been collected by school personnel and deposited into the activity fund accounts.

- Visual Art Fees
- Field Trip Fees
- Performance Tickets (Box Office Sales)

The collection of the Performance Tickets was not authorized by the Principal; therefore, we addressed the issue separately on page 10.

a. Improper Authorization and Handling of Student Fees for the Fine Arts Program

During our audit, we discovered that the Friends not only collected the fees for all six areas of the FAP from August to October during the 2018-2019 school year, but also collected activity funds for the visual arts area during the 2017-2018 school year through an on-line payment link on the school's website. The Principal authorized the collection, but he did not know that it was improper.

An online collection link was created by school personnel and it was directly connected to the Friends' bank account. Such practices did not comply with HISD's Finance Procedures Manual, Section 301, which states, *"The school principal is personally responsible for the proper collection, disbursement and control of all Activity Fund Monies including (1) providing for the safeguarding of funds, (2) proper accounting and administration of fund transactions and (3) adequate training and supervision of all personnel designated to handle activity funds."* According to the Principal, he did not realize that this practice was not in compliance with District policy. His intent was to streamline the collection process for the teachers and staff.

Also, the practice of allowing the Friends to collect activity funds could potentially not meet the purpose of the student activity funds that is established in the Finance Procedures Manual, Section 301, which states *"Activity Funds are used to promote the general welfare of the school and the educational development and morale of all students."* If outside organizations are allowed to collect the school's activity funds, then HISD would take the risk of not knowing if the funds are used appropriately.

Although we appreciate the effort/support from the Friends to help promote student achievement, proper managerial procedures must be followed to remain in compliance with District policy. The Principal is responsible for controlling the student activity funds

to ensure accuracy of the accounting records and to ensure the funds are used to benefit the school. He must also set clear boundaries regarding the Friends or any other outside organization and their involvement with the student activity funds.

Recommendation: The Principal should adhere to the Finance Procedures Manual, Section 301, by continuously ensuring the proper collection, disbursement, and control of all activity funds.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: Principal Planned/Actual Completion Date: Has been in place since principal was notified there was an issue
2. Implement alternative plan (add a comment) <input type="checkbox"/>	
3. Take no action (add a comment) <input type="checkbox"/>	

The principal will adhere to the Finance Procedures Manual, Section 301, by continuously ensuring the proper collection, disbursement, and control of all activity funds.

The principal has noted with auditors that he was never trained by HISD on finance procedures when hired in 2009 and has never been given the opportunity to attend such a training since.

b. Inadequate Internal Control for Validating the Fine Arts Program (FAP) Fees Collection

Although the school administration reviewed the transaction documentation for collected fees for the FAP, they solely relied on the Friends' accounting records to manage the collections and disbursements of the funds. They did not maintain their own records to validate the accuracy and completeness of those funds. We had to use records provided by the Friends to validate the fees that were collected and the program's spending for both school years 2017- 2018 and 2018-2019.

According to the Friends' records, \$21,650 was collected for the visual arts fees during 2017-2018 school year. When we requested the reimbursement of the funds, we were told that the funds had been disbursed to support the FAP. Then we requested documentation to support the expenditures paid from the collections. The Friends provided a copy of their general ledger which indicated miscellaneous expenditures and direct checks paid to the school. We verified that the direct checks totaling \$19,200 were returns of fees that were collected for visual arts. We validated that the direct checks were properly and timely recorded in the school's cash receipt books and deposited into the bank. However, we were unable to validate the purchases on the Friends' ledger for the FAP, because we did not have jurisdiction to require an outside organization to substantiate their purchasing records. This factor also left us unable to determine the reason for the \$2,450 difference.

Based on the Friends' records for the 2018-2019 school year, we noted that they collected \$100,595, which was derived from department, field trip, performances, and other types of fees. As requested by the District's Ethics and Compliance Office, those funds were reimbursed, and the online collection link was disabled by October 31, 2018. Also, since then, the school resumed the collection of the student activity funds for FAP. We verified that the "returned" funds were received and deposited by the school on November 2, 2018.

Recommendation: The Principal should improve the oversight over the collection process to ensure completeness and accuracy of activity funds.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: Principal Planned/Actual Completion Date: Has been in place since principal was notified there was an issue
2. Implement alternative plan (add a comment) <input type="checkbox"/>	
3. Take no action (add a comment) <input type="checkbox"/>	

The Principal improved oversight over the collection process to ensure completeness and accuracy of activity funds as soon as the issues was brought to his attention.

c. Opportunity to Modernize FAP Fee Collection System

During our audit, we noticed that HSPVA's manual collection system that was used to collect fees for the Fine Arts Program (FAP) could be improved. In our opinion, a more modern system, such as SchoolPay, an HISD online payment system, would provide a stronger internal control environment for all transactions and especially for those that involve cash. In addition, a newer system may help the team to better manage any increased volume of transactions. Plus, modern systems generate reports that help management to make decisions about their business activities that manual systems may not provide.

We performed a three-year trend analysis of activity funds for the FAP that were recorded by the school to identify any abnormal activities. See the chart on the next page.

Although we did not observe any abnormal transactions, our analysis identified a 6.6% increase in fee collections from 2016-2017 to 2017-2018 and a 12.6% increase from 2017-2018 to 2018-2019. Overall, the FAP experienced a 20% increase in the value of their financial activity from the 2016-2017 to 2018-2019 school years.

Collection of Funds for the Fine Arts Program

Types of Fees	2016-2017 School Year	2017-2018 School Year	2018-2019 School Year*
Visual Art Fees	\$25,980.75	\$13,736.50	\$32,465.00
Field Trip Fees	6,648.00	7,691.00	39,902.00
Performance Fees	17,238.59	12,314.28	9,767.62
Department Fees (excluding Art)**	57,632.63	51,856.68	84,327.00
Donations	39,000.00	70,700.00	9,600.00
Total	\$146,499.97	\$156,298.46	\$ 176,061.62 *

*The 2018-2019 total amount includes the \$100,595 that was reimbursed from HSPVA Friends along with an additional \$75,466.62 that was collected by Kinder HSPVA from 9/20/18 - 4/15/19 after the link was disabled.

**Visual Art fees are listed separately in the chart due to the allegation.

In responding to our inquiry of the increase of the fee collection, the Principal stated that the increase may have happened because the Friends' online payment collection process was more effective than the school's manual collection process. Overall, he stated that the online payment system was a more efficient tracking system for student payments. Also, he stated that the Friends paid the fees for students who could not pay regardless of the reason which may have decreased the number of students that did not pay from the previous school years.

We noted that the lack of activity funds training may have attributed to this improper practice of a third party's collection of the student activity fund, because the Principal stated that he was not aware that the District provided activity funds training on a regular basis. And since the Friends has supported the school for years, their business credibility and sound business relationship may have factored into the occurrence of these conditions. Since the Friends collected and retained the funds for certain periods, the District's monthly reconciliations during those periods were inaccurate. As a result, HISD's accounting records of the student activity funds were not as complete and accurate as they could have been.

Recommendation: Implement the District's online payment system, SchoolPay, to facilitate activity fund collections for the FAP.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: Principal Planned/Actual Completion Date: Has been in place since principal was notified there was an issue
2. Implement alternative plan (add a comment) <input type="checkbox"/>	
3. Take no action (add a comment) <input type="checkbox"/>	

The school began using SchoolPay, to facilitate activity fund collections for the FAP once the principal was notified there was an issue.

2. Improper Collection of the Performance Tickets (Box-Office Sales)

The Friends collected and managed the revenue generated from the school's performance tickets instead of HSPVA. Some events were graded as part of the academic performance. According to the Accounting Department, all "graded events" and all revenue from student performances should be deposited into the activity fund accounts. However, when we asked for the revenue information, neither the school administration nor the Friends provided it. We were not able to determine the reason(s) why.

Although the Principal stated that this practice had been in place for years before he became Principal over ten years ago, it did not comply with HISD's Finance Procedures Manual, Section 317b, which states, *"If students or employees are involved as contributors or fundraisers, then the funds are to be handled through the school activity funds accounts as a school or club function."* The Principal inherited this practice and he was not aware of the policy requirement.

Recommendations: We recommend that the Principal should:

- a. Request a reimbursement from the Friends for the box-office sales for the period from July 1, 2016 to June 1, 2019.

Management's Action Plan:

1. Implement as proposed <input type="checkbox"/>	Responsible Party: N/A
2. Implement alternative plan (add a comment) <input type="checkbox"/>	
3. Take no action (add a comment) <input checked="" type="checkbox"/>	Planned/Actual Completion Date: N/A

Continue with the current box-office sales/collection process. This process was approved by HISD Legal Department (General Council) during the 2018-2019 school year.

The HISD Legal Department (General Council) instructed the principal during the 2018-2019 school year that the current process of using the HSPVA Friends to collect box office for the Friends' produced performance was not a problem.

- b. Develop an effective guide to manage the business between the Friends and the school. Note: Consulting with the General Counsel and the District's Controller may help to gain clarity on how to handle all future fundraising activities that may involve outside organizations such as the Friends.

See management's action plan on the next page.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/> 2. Implement alternative plan (add a comment) <input type="checkbox"/> 3. Take no action (add a comment) <input type="checkbox"/>	Responsible Party: HISD Planned/Actual Completion Date: HISD's timeline
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A Memorandum of Understanding, which outlined the business between HSPVA Friends, HSPVA, and HISD, has been drafted and is awaiting approval by HISD. Legal, HSPVA Friends, and the Interim Superintendent were a part of drafting the document.

3. Insufficient Activity Funds Training

According to the Principal, he had not attended activity funds training for management during his eleven years as Principal at the school because he was unaware of it. The training helps management to effectively oversee the student activity funds. This condition occurred because Internal Service Fund Accounting (ISF) Accounting did not have a procedure in place to require Principals to be trained within a certain timeframe from when he/she assumed their role. Nor was a mechanism in place to automatically assign the training for new Principals and any existing Principals who haven't received it.

As of our audit, ISF was offering activity funds training throughout the school year, and the training dates can be found on OneSource. However, the management training is no longer offered, but Principals are encouraged, by ISF Accounting, to attend the non-management activity funds training with the General Clerk (Financial Clerk). As stated previously, according to the Finance Procedures Manual, Section 301, the Principal is personally responsible for the proper collection, disbursement and control of all activity funds. Therefore, by best practice, Principals should be trained so that they can provide proper guidance for their staff who are responsible for maintaining the activity funds.

Recommendation: We recommend that:

- a. The Principal and the General Clerk at HSPVA should attend activity funds training as soon as possible to help them to properly oversee their activity fund accounts.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/> 2. Implement alternative plan (add a comment) <input type="checkbox"/> 3. Take no action (add a comment) <input type="checkbox"/>	Responsible Party: Principal and finance clerk Planned/Actual Completion Date: As soon as the training is made available by HISD
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The principal and the finance clerk at HSPVA will attend activity funds training as soon as they are notified of the offered training through an Academic Memo to help them to properly oversee their activity fund accounts.

- b. ISF Accounting should establish a procedure that automatically requires school Principals to attend the training on student activity funds within a certain timeframe.

Management's Action Plan:

1. Implement as proposed <input type="checkbox"/>	Responsible Party: Glenn Reed, CFO
2. Implement alternative plan (add a comment) <input checked="" type="checkbox"/>	
3. Take no action (add a comment) <input type="checkbox"/>	
Planned/Actual Completion Date: September 30, 2020	

We will develop an online activity fund training course that will be required for all Principals to take. We will be able to run a report to see who has not completed the course for follow-up. We will explore the system availability to require that it be done a certain number of days after the hire date.

4. Improper Processing of Donations

During our audit, we observed that 21 donations totaling \$118,200 were not directly forwarded to the Treasury Department as required. Instead, the school issued cash receipts and deposited them into the school's activity fund accounts, which did not comply with District policy. According to TA3 Administrative Activity Funds, Trust and Agency Funds, *"All donations and contributions that are collected on-site, during working hours, by District employees and on HISD property should be forwarded directly to Customer Service - Treasury Department."* Those instances are summarized in the chart on the next page.

Audit Period	Number of Cash Receipts	Total Amount by School Year
2016-2017 School Year	8	\$ 50,000
2017-2018 School Year	12	\$ 58,600
2018-2019 School Year (August 1, 2018 – April 15, 2019)	1	\$ 9,600
Total	21	\$ 118,200

In addition, 12 of the 21 donations totaling \$77,600, which were at \$5,000 or more, were accepted before obtaining approval from the Board. According to Board Policy CDC (LOCAL), Other Revenues _ Grants from Private Sources, *"Any offer of a gift that is valued at \$5000 or more shall require the prior approval of the District's Board before that gift may be accepted."*

The conditions discussed above existed because of the lack of training on how to handle donations. Without the training and compliance with policy, the improper handling of donations could lead to the misappropriation of the funds instead of following the donor's intent. Also, any abuse or misuse of District funds has the potential to negatively impact the public's trust which could deter future partnerships and business opportunities.

Recommendation: We recommend that the Principal ensure that HSPVA:

- a. Complies with the policies related to the acceptance of donations in TA3 Administrative Activity Funds, Trust and Agency Funds.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: Principal
2. Implement alternative plan (add a comment) <input type="checkbox"/>	Planned/Actual
3. Take no action (add a comment) <input type="checkbox"/>	Completion Date: Has been in place since principal was notified there was an issue

HSPVA complies with the policies related to the acceptance of donations in TA3 Administrative Activity Funds, Trust and Agency Funds. This action began when the principal was notified there was an issue.

HSPVA Friends made donations to HSPVA and HISD since 1978 and the practice had never been questioned. The current principal continued the practice that was in place when he was hired in 2009.

- b. Adheres to Board Policy CDC (LOCAL), Other Revenues Grants from Private Sources, that pertains to the acceptance of donations over \$5,000.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: Principal
2. Implement alternative plan (add a comment) <input type="checkbox"/>	Planned/Actual Completion Date:
3. Take no action (add a comment) <input type="checkbox"/>	Has been in place since principal was notified there was an issue

HSPVA adheres to Board Policy CDC (LOCAL), Other Revenues Grants from Private Sources, that pertains to the acceptance of donations over \$5,000. This action began when the principal was notified there was an issue.

HSPVA Friends made donations to HSPVA and HISD since 1978 and the practice had never been questioned. The current principal continued the practice that was in place when he was hired in 2009.

- c. Attends activity funds training for an update on how to properly handle donations.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: Principal and finance clerk
2. Implement alternative plan (add a comment) <input type="checkbox"/>	
3. Take no action (add a comment) <input type="checkbox"/>	Planned/Actual Completion Date: As soon as the training is made available by HISD

The principal and the finance clerk at HSPVA will attend activity funds training as soon as they are notified of the offered training through an Academic Memo to help them to properly oversee their activity fund accounts.

5. Improper use of PowerUp Funds

HSPVA inappropriately used PowerUp funds for their Fine Arts Program. Specifically, the vendor, MakeMusic, was paid \$861 on November 7, 2017 to upgrade a music-related subscription. The payment was approved by a technology teacher at the school who oversees the PowerUp funds.

However, the PowerUp Program is a District-wide program that is supposed to be used to provide laptop computers to all HISD high school students. According to the Information Technology Department (IT), PowerUp funds should be used only for PowerUp related expenses such as computer and accessory replacements. In addition, an email from the IT Department, a few of years ago, was sent to school Principals stating that the purpose of PowerUp funds was to help offset any cost incurred during the school year for the laptops (lost computers, repairs, etc.) and these funds should only be used to support the PowerUp devices.

During the audit, the Principal justified this purchase as a PowerUp related expense because the software was installed on the PowerUp computers. However, an IT manager stated that the Principal's justification was invalid. The incorrect expenditure happened because the staff did not sufficiently understand the PowerUp rules. In addition, the IT department was not consulted prior to the purchase, which could have prevented this problem. The misappropriation of PowerUp funds could affect the purchase of new laptops which could adversely impact our students' ability to remain current in the ever-changing technology world.

Recommendations: We recommend that the Principal:

- a. Transfers the \$861 from the vocal music account back to the PowerUp account via an AF-107 transfer form as a repayment.

See management's action plan on the next page.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: Principal/Finance clerk
2. Implement alternative plan (add a comment) <input type="checkbox"/>	
3. Take no action (add a comment) <input type="checkbox"/>	
Planned/Actual Completion Date: Was completed as soon as principal was notified there was an issue	

The principal transferred the \$861 from the vocal music account back to the PowerUp account via an AF-107 transfer form as a repayment as soon as the payment was deemed "Inappropriate." Although the issue was corrected, it is important to note that the \$861 paid for a software that was loaded on the PowerUp devices for students to use. HISD Budgeting approved the funds as submitted with PowerUp funds to pay for the purchase for software for student use on the HISD laptops.

- b. Consult with the Curriculum, Instructional Technology, and/or the Career and Technical Education departments if special software is needed for the PowerUp laptops.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: HSPVA IT Specialist / HISD C&I / HISD IT / HISD CTE
2. Implement alternative plan (add a comment) <input type="checkbox"/>	
3. Take no action (add a comment) <input type="checkbox"/>	
Planned/Actual Completion Date: Ongoing	

Consult with the Curriculum, Instructional Technology, and/or the Career and Technical Education departments if special software is needed for the PowerUp laptops.

6. Improper Activity Funds Deposit Method

Deposits of activity funds were not done appropriately. Over ten years ago, HISD contracted with Dunbar to transport activity fund deposits to Chase Bank. But instead of using the courier service, the General Clerk transported activity funds deposits to the bank until January 17, 2019. Therefore, the school's practice did not comply with HISD's Finance Procedures Manual, Section 305e, which states, "*Funds will be picked up daily by the armored courier and transported to the bank.*" This happened because the Accounting department did not timely establish the Dunbar services for HSPVA. However, that service was set up by Accounting on January 14, 2019 as a result of another audit and the official services began on January 29, 2019. Using the armored courier service increases the safety and security for school personnel.

Recommendation: ISF Accounting should conduct a periodic review of the method used for activity fund deposits for all HISD schools to ensure that all schools are added to the Dunbar schedule and route according to District policy.

See management's action plan on the next page.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/> 2. Implement alternative plan (add a comment) <input type="checkbox"/> 3. Take no action (add a comment) <input type="checkbox"/>	Responsible Party: Sherrie Robinson, Controller Planned/Actual Completion Date: October 31, 2020
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Dunbar is now Brinks.

7. Late Activity Fund Deposits

Cash receipts were not deposited as required. Specifically, during school years 2016 through 2019, this occurred for 101 (21%) of 473 cash receipts totaling \$97,397. The instances are summarized in the chart below. According to the Finance Procedures Manual, Section 305e, *"Deposits must be made daily when the total cash on hand exceeds \$500.00 per day, unless the cash was collected after 2:00 p.m., and a deposit had previously been made on the day of collection."* Timely deposits were not made because there wasn't enough support staff available to allow the General Clerk to have the opportunity to take the deposits to the bank. Late bank deposits and/or cash collections held at the school over a weekend or holiday can increase the risk of loss or theft of cash

Audit Period	Number of Cash Receipts	Total Amount by School Year
2016-2017 School Year	36	\$ 27,044
2017-2018 School Year	45	\$ 52,484
2018-2019 School Year	20	\$ 17,869
Totals	101	\$ 97,397

Recommendation: The Principal should ensure that deposits are made in a timely manner in accordance with the Finance Procedures Manual.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/> 2. Implement alternative plan (add a comment) <input type="checkbox"/> 3. Take no action (add a comment) <input type="checkbox"/>	Responsible Party: Principal / Finance Clerk / Courier Service Planned/Actual Completion Date: Ongoing
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The principal will ensure that deposits are made in a timely manner in accordance with the Finance Procedures Manual. Until the principal was made aware this was an issue, he did not know that a

daily courier service would deliver monies from the campus to the bank. That was immediately put into place once the service was actually offered.

8. Lack of Sales Tax Collection for Taxable Items

During our audit, we noted that for the school years during 2016 to 2019, all 14 cash receipts for non-food items did not include sales tax. According to our calculation, \$662 in sales tax were due. See the chart on the next page.

Periods Reviewed	Number of Cash Receipts	Amount	Tax Rate	Sales Tax Due
2016-2017 School Year	7	\$4,267	0.0762	\$325
2017-2018 School Year	6	\$4,279	0.0762	\$326
2018-2019 School Year	1	\$146	0.0762	\$11
Total Sales Tax	14	\$ 8,692	0.0762	\$ 662

In accordance with Section 318 of the Finance Procedures Manual, the sales tax on certain collections must be separately identified on the cash receipt to ensure the proper transfer of funds to the District and the State. This condition existed because of the lack of training. If not corrected, the District would be in violation of the State Comptroller's Ruling No. 95-0 and the activity fund accounts would be overstated.

Recommendation: The Principal should ensure that the General Clerk imposes and collects the sales tax on the cash receipts for non-food items in accordance with the Finance Procedures Manual.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/> 2. Implement alternative plan (add a comment) <input type="checkbox"/> 3. Take no action (add a comment) <input type="checkbox"/>	Responsible Party: Principal/Finance Clerk Planned/Actual Completion Date: Was put into place as soon as principal was notified there was an issue
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The principal will ensure that the finance clerk imposes and collects the sales tax on the cash receipts for non-food items in accordance with the Finance Procedures Manual.

9. Lack of Documentation for Fundraising Activities

During our audit, we noted that 16 of 22 (72%) of the school's fundraising activities totaling \$23,012 were not supported by the required AF-108 form which should have contained the Principal's signature to indicate his approval. The instances are summarized in the chart on the next page.

Audit Period	Number of Fundraisers	Total Amount by School Year	Fundraiser Descriptions
2016-2017 School Year	12	\$ 15,309	Black American Soul of the 70's Black American - Black History tickets Dance - DVD sales Dance - DVD sales for dance Dance - Gala show Dance - Spring dance tickets Drama - Red studio series tickets Library - Pie eating contest Orchestra - Orchestra tickets Parliament - Winter Ball Parliament - Dance tickets Vocal - Concert door tickets
2017-2018 School Year	4	\$ 7,703	Dance - Concessions from fall dance concert Dance - DVD's for a dance show Parliament - Winter ball Vocal - Concession
Total	16	\$ 23,012	

Section 317a of the Finance Procedures Manual states "*All student club-sponsored Fundraiser activities be authorized by the school principal after the Sponsor completes the front side of AF-108.*" The form is required for two reasons: 1) to provide evidence that the activity is authorized by the appropriate school and area administrators, and 2) to provide a means of accounting for an activity's result.

The Principal approved the events; however, he did not require the use of the AF-108 form because he did not realize that all the above activities were considered fundraisers. The absence of activity funds training may have caused this to happen. By not maintaining proper documentation, the Principal, and ultimately, the District may be held accountable for inappropriate items, services, etc., that are sold or held on their campus. In addition, funds that are collected from these fundraisers are more at risk of theft.

Recommendation: The Principal should ensure that the AF-108 forms are prepared for all of the school's approved fundraising activities in accordance with the Finance Procedures Manual.

See management's action plan on the next page.

Management's Action Plan:

1. Implement as proposed <input checked="" type="checkbox"/>	Responsible Party: Principal/Finance Clerk Planned/Actual Completion Date: Was put into place as soon as principal was notified there was an issue
2. Implement alternative plan (add a comment) <input type="checkbox"/>	
3. Take no action (add a comment) <input type="checkbox"/>	

The principal has noted with auditors that he was never trained by HISD on finance procedures when hired in 2009 and has never been given the opportunity to attend such a training since.