DeSoto Independent School District

academic excellence by design

Guide to
Accounting Processes
&
Internal Controls

Updated July 2019

DISCLAIMER

This document below is provided for the 2019-2020 school year. The district shall provide an annual updated internal control document which will continuously focus on a control environment, risk assessment, control activities, information and communication, and monitoring. To this end, this internal control document is a living document. This document is not an exhaustive list of internal control guidelines and procedures. Internal controls encompass much more than just the district's finance department. Internal control should include PEIMS, Program Assessment, Maintenance, Extracurricular Activities, Student Activity, Risk Management, and Budget Process as well, at a minimum. It is our goal to develop a formal district-wide comprehensive Internal Control document going forward. This is the first step. We would like to thank everyone who has been a part of this effort.

Contents

Overview:

Internal control is the key element necessary for effective financial management of DeSoto Independent School District. Internal control is the integration of the activities, plans, attitudes, policies, and efforts of the employees of the district working together to provide reasonable assurance regarding the achievement of defined objectives. Effective internal controls ensure that the district's resources are used in a manner consistent with federal, state, and local regulations and policies. It is essential to sound financial practices and minimizes the risk of fraud, abuse, or misuse of the district's assets. The Committee of Sponsoring Organizations (COSO) defines internal control as a process established to provide reasonable assurance specific school district objectives such as effectiveness and efficiency of operation, reliability of financial reporting, and compliance with applicable laws and regulations will be achieved.

Management is responsible for developing policies, procedures and practices and ensuring that they are an integral part of the district's operations

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Components of Internal Controls

The evaluation of internal controls includes identifying the framework used by administration to determine the effectiveness of the internal controls. The internal control framework consists of five essential components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

> Control Environment – The control environment is the foundation for all other components of internal control. The control environment is influenced by management's philosophy, operating style, integrity, ethical views, and commitment to procedures. If the foundation is strong and the control environment is positive, the overall system of internal control will be more effective.

Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

(GAO Standards for Internal Control in the Federal Government, GAO/AIMD-00-21.3.1)

Without to top-down buy-in of internal controls there is less chance of successful implementation.

Risk Assessment – Risk assessment is the identification, analysis, and management of risks relevant to the achievement of the district's goals and objectives. Risks include internal and external events or circumstances that may occur and adversely affect operations. Once risks are identified, management will consider their impact or significance, the likelihood of their occurrence, and how to manage them.

Risk Assessment Cycle
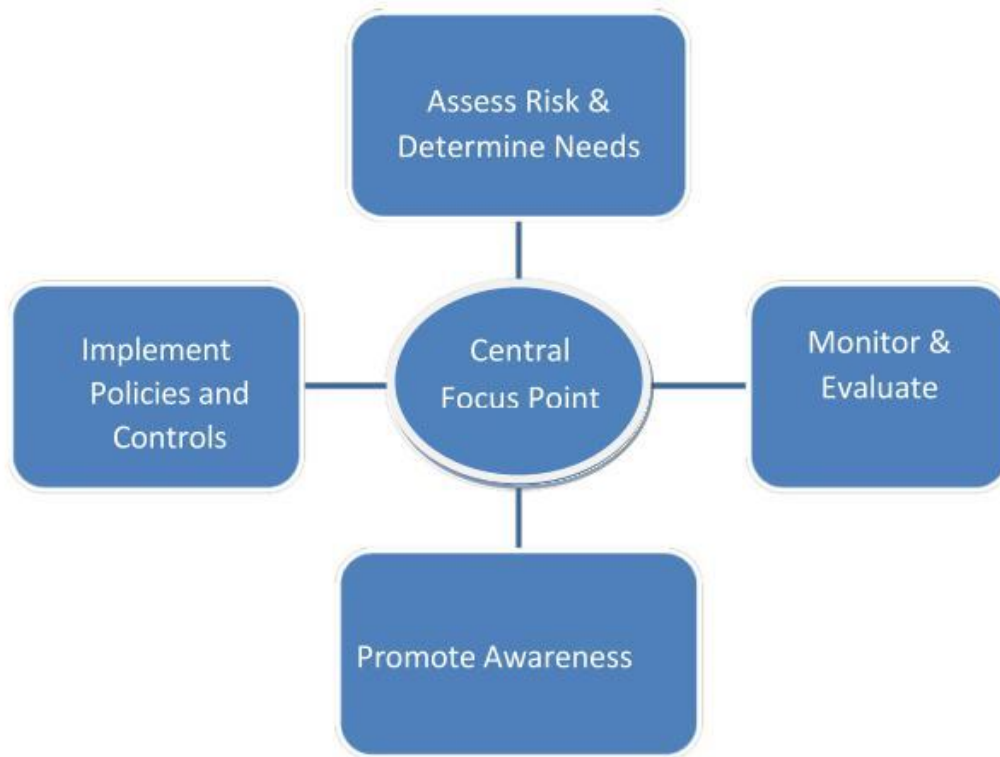
(GAO/AIMD-06-33, Information Security Risk Assessment)

Control Activities – Internal control activities are tools, such as policies and procedures that are in place to **provide reasonable assurance** that management's directives are carried out. Control activities help identify, prevent or reduce the risks that can impede accomplishment of the district's objectives. Control activities occur throughout the district, at all levels and in all functions. They include activities such as: Approvals, Authorizations, Verification, Reconciliation, Documentation, Separation of Responsibilities, and Safeguarding of Assets.

DeSoto ISD will devise, establish and maintain a written structure of internal administrative and accounting controls to provide:

1. **Segregation of responsibilities** which is also known as division of duties shall be established and implemented. The three main duties to be segregated are the authorization to execute a transaction, the recording of the transaction, and the custody of assets involved in the transaction.
2. **A system of authorization and recording procedures** shall be established and implemented by the school district with the authority of the board of trustees. Management will ensure that protection of the public trust is a major focus when granting authorization to execute business of the school district.
3. **Sound accounting practices** in performance of duties and functions shall be implemented to include varied error-checking routines that may be performed in connection with record keeping and by comparing recorded amounts with existing budgets. Appropriate action be taken with respect to any differences.
4. **Sequential numbering** of receipts, checks, purchase orders, and vouchers either on pre-printed forms or by the financial accounting system as appropriate is required. Sequences will be examined to determine any skips in numbers or any duplicate numbers.
5. **Proper safeguards** to protect unused check stock and pre-numbered forms, cash prior to deposit, and other receipts, and electronic signatures or signature plates.
6. **Transactions shall be properly recorded on a timely basis** in order to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). In addition, DeSoto ISD shall establish any other criteria applicable to such statement to maintain accountability for assets.
7. **Independent performance checks** and proper valuation of recorded amounts such as checks, reconciliations, comparison of assets with recorded accountability, financial software controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports will be performed.

Information and Communication – For internal control to function properly, it is essential that there be clear lines of communication throughout the district. Management must be able to obtain relevant, reliable, and valid information to make informed business decisions, determine their risks, and communicate policies and other important information.

Monitoring – The district's internal control system is monitored continually to assess whether controls are effective and operating as intended. On-going monitoring occurs through routine managerial activities such as supervision, reconciliation, checklists, comparisons, performance evaluations, and status reports. Monitoring may also occur through separate internal evaluations or from use of external sources. Deficiencies found during monitoring are reported to those responsible for the function, with serious deficiencies being reported to the superintendent of schools. In addition, it is important that the administration carefully monitor the resolution of audit findings to ensure that any weaknesses, once identified, are promptly and effectively corrected.

> **Management must ensure that employees understand the control system and standard operating procedures, and their responsibility to ensure that the internal controls are effective.**

Responsibility

This may come as a surprise to some readers, but neither external nor internal auditors are responsible for an entity's internal controls. External and internal auditors evaluate internal controls as part of their audit planning process, but they are not responsible for the design and effectiveness of our controls. Management (including the board of trustees) is responsible for making sure that the right controls are in place, and that they are performed as intended.

The board's responsibility for internal controls primarily involve oversight, authorization and ethical leadership. Generally, boards do not design internal controls or prepare written policies they adopt. The governing board relies upon management, especially the superintendent, to create the policies needed to ensure that services are provided effectively and assets safeguarded. The superintendent in turn relies upon managers and department heads to recommend and implement procedures that lower identified risks.

Within the managerial ranks, the superintendent provides the leadership needed to establish, guide and enforce an integrated internal control framework. The superintendent establishes a positive "tone at the top" by conducting an organization's affairs in an honest and ethical manner and establishing accountability at all levels of the organization. If the superintendent does not demonstrate strong support for internal controls, the organization as a whole will be unlikely to practice good internal controls.

Finance officers are instrumental in overseeing accounting and financial reporting controls. A finance officer's responsibilities for supervising the preparation of accounting records, producing financial reports and demonstrating compliance with State and Federal laws are priority goals for local governments and school districts. Because of their vital responsibilities, financial officers should be knowledgeable about both control procedures and the integrated internal control framework taken as a whole. Finance officers and business officials also need to work closely with the superintendent in fostering a positive control environment.

Even though the superintendent leads the entity's approach to the control framework, it is the campus leaders and department heads who are the front line for implementing and monitoring internal controls. Principals and department heads are general responsible for identifying potential risks, designing and implementing controls for their areas of responsibility, and keeping current with events and changes that affect the controls that have been put into place. Budget managers, however, rely upon the superintendent to provide leadership and the entity-wide communication needed to foster and integrated internal control framework.

EFFECIVE INTERNAL CONTROL

Effective Organizational Structure
- Management & Supervision
- Ethical Behaviors
- Appropriate Job Training

Effective Job Performance
- Accurate
- Appropriate
- Timely
- Reconciled
- Verified

Effective Communication
- Internal
- Management
- Employees
- External
- Auditors
- Vendors

Effective Monitoring
- Identification
- Evaluation
- Corrective Action

Trust Is NOT an Internal Control

INTERNAL CONTROLS AND PROCEDURES

GENERAL

The DeSoto Independent School District has established numerous procedures and controls in an attempt to maintain internal control over all assets. The purpose of establishing internal controls is to provide a reasonable assurance that the district will accomplish its objectives of safeguarding assets, providing reliable financial information, promoting operational efficiency and ensuring compliance with laws, regulations and established district policies and procedures.

CONTROL FRAMEWORK

The district has implemented an internal control system and framework based on its internal and external needs. This framework includes elements modeled according to the COSO model. It is the policy of the district to ensure that its control framework provides for strong administrative governance. The district's internal control system is a relevant evaluation tool for internal control over financial reporting.

It is the goal of the district that its own internal control framework and review evaluations:

- Be free from bias;
- Permit reasonably consistent qualitative and quantitative measurements of the district's internal control system;
- Are sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of the district's internal control system are not omitted.

ETHICS STATEMENT

DeSoto Independent School District makes every effort to set an honest and ethical tone for the district that is demonstrated at every level. The district operations reflect the overall attitude, awareness, and actions of the board of trustees, management and others concerning the importance of how the district views internal control and the management of these controls.

COMMUNICATION AND TRAINING

DeSoto Independent School District makes every effort to maintain communications with all employees regarding the policies and procedures of the district including but not limited to periodic training for personnel, both at school sites and central office, and regular meeting of the board of trustees. The District's Board Policies, Financial Procedures Manuals, Travel Manuals, Credit Card Manuals, Procurement Manuals, Cash Handling Manuals, Loss/Accident Prevention Manuals, and Employee Handbooks are maintained on the district website along with other information necessary to the requirements for safekeeping of various assets and transparency of financial operations for both employees and taxpayers. Supervisory hierarchies are maintained to ensure proper approval and processes are in place.

PERSONNEL

The recruitment of competent, honest individuals is administered through the services of the Principals, Department Heads, and Superintendent.

The training of staff regarding the established policies and procedures governing all financial transactions is administered through the Finance Office.

- Segregation of responsibilities – The assignment of duties to staff members who have access to the financial management system is done with the intent of limiting their ability to cause and conceal errors or irregularities working within certain limitations, including staff size. Incompatible functions are not assigned to any staff member. Details of incompatible staff assignments are specifically addressed for focal points, such as accounts payable and vendor creation, or posting cash receipts and reconciling the bank accounts. Continued monitoring and oversight must take place daily to ensure secure business operations.

- Transaction Authorization – The budget is allocated to each campus and program area and the authorization of the expending of funds is assigned to the principal or program area director for monitoring. The individual school principal or program area director or supervisor is responsible for their budget and for assuring that each request is appropriate and necessary. Workflows are imbedded in the financial management software to ensure that all requests are appropriate, correctly coded, fully documented, and in alignment with any applicable laws or regulations. ALL transactions over $5,000 will be routed to the Cabinet member for approval. ALL transactions over $25,000 will be routed to the Superintendent of Schools for approval. ALL transactions over $50,000 will be preapproved by the Board of Trustees prior to the obligation of district resources.

- Transaction Recording – Transactions are recorded at the time of authorization resulting in the encumbrance of the budgeted funds. The finance and purchasing department staffs are responsible for verification of amounts, classification to the appropriate account codes, and proper authorization of all transactions prior to posting to the financial management system.

- Record Reconciliation – The Finance Department administers the comparison of actual assets on hand with the amounts recorded in the financial management system. Monthly reconciliation of bank statements, fixed asset records, and other financial records are prepared and verified during the monthly closing process. All discrepancies found during the reconciliation process are researched and corrected at the time they are detected. The closeout procedures are administered as a joint effort by the finance office staff. Reconciliation of bank accounts is handled by the Director of Accounting Services, who does not participate in the purchasing or expending activities of the district.

RISK ASSESSMENT

The DeSoto Independent School District analyzes all process and applies Risk Assessment principles to determine inherent risks in each of its accounting processes not less than annually. Emphasis is on communication to ensure that each employee is aware of necessary processes to meet certain objectives. The district conducts regular training with key personnel to ensure that employees involved with the acquisition, dispensing and disposal of assets are thoroughly trained and informed of proper procedures. At the same time, the district must weigh the cost of certain

requirements to make sure that the benefits derived do not outweigh the cost of implementing, maintaining and monitoring the system. 2018-2019 Risk Assessment are included in Appendix.

PROCESSES

In alignment with the internal controls framework, DeSoto ISD has attempted to demonstrate through system process control flowcharts the essential components of a control environment, risk assessment, control activities, information and communication, and monitoring. Moreover, it is best practice to consistently rethink and retool process improvements which will help minimize fiscal restraints and declining availability of resources. To this end, rethinking fiscal resource processes will help demonstrate how the district's resources are managed and controlled to optimize (i.e. equity, adequacy, efficiency, and equalization) the most value for student achievement.

Cash Handling

Cash and checks are collected at several locations around the district for activities such as replacement fees, participation fees, athletic gate receipts, fundraisers, and food service activities. All funds collected are counted in the presence of the person delivering the deposit by campus or department personnel responsible for securing funds for deposit. Deposits are collected daily by an armored courier service and deposited in the district's depository bank. The Cash Management Specialist then records the deposited amounts in the appropriate General, Campus Activity, or Student Activity account. Cash collected is never to be used to directly make a purchase at any time. Personal checks cannot be exchanged for cash for any reason. Personal funds may never be comingled with district funds. There are always at least two people involved in the collecting or counting of district funds. Employees should never take money home or keep it unsecured in classrooms. Funds collected at Campuses or Departments should never be kept overnight, all funds will need to be locked in the campus or district safe. Principals and sponsors should periodically check their general ledger balances to verify that deposits were posted correctly. Cash handling procedures are reviewed not less than annually and finance staff is available to answer questions or provide guidance at any time.

Child Nutrition staff collects cash and checks at the cafeterias primarily during the lunch hours. Sales are tracked in the System Design software program, a point-of-sale (POS) system. The registers are connected directly to the computers for tracking sales. Each day's collected receipts are counted by both the cashier and the cafeteria manager and then entered into the System Design Software for matching to the daily sales. The cafeteria manager notates reasons for any differences, if any, between the sales and the monies presented for deposit. Funds are placed in locking deposit bags, secured in safe, and delivered to the depository bank by the armored courier service. Receipts are validated and entered into the financial management software by the Cash Management Specialist.

Safeguards:

1. Pre-numbered cash receipts are provided for all cash transactions except ticketed events and food sales
2. Funds counted at each stop in the presence of one or more other personnel.
3. Calculator tapes attached each time cash is counted.

4. No funds should remain overnight at campus or administration, except Friday nights. Secure safes are provided by the district at all locations collecting cash.
5. Cash is transported to the bank by an armored courier service that is fully licensed and bonded.
6. A person counting and recording cash deposits does not make entries into the financial software.

Receipts of Other Funding Sources

District tax collections make up a significant portion of the total bank deposits. The Dallas County Tax Assessor/Collector collects tax payments, records the payments and transfer the revenue to the district selected investment bank. The Director of Accounting Services verifies and records all tax deposits by downloading the tax collector reports and matching the report to the Investment Pool deposits. Journal entries are used to record tax collections in the financial management software. Payments received are verified a second time by the Director of Accounting Services during the monthly reconciliation process.

State funding revenue is another very large revenue source for the district. Payments are submitted directly to the investment bank from the Texas Education Agency. The Director of Accounting Services retrieves the state payment report and books the deposits accordingly. Journal entries are used to record State funding allotments. Amounts are verified during the monthly reconciliation process and also compared to the Summary of Finance and State Payment report by the Director of Finance and the external auditors.

Child Nutrition credit card transactions take place online through the financial accounting software. Accounts are created for all students, and parents may deposit funds via credit card to their student's accounts through online payment system Lunch Money Now. Collection amounts are recorded in the appropriate student account. Each time the student goes through the lunch line; their pre-paid account is decreased and the funds deposited into the district depository bank. Cash Management Specialist records the deposit in the correct account in the financial management software. Parents are notified with the account funds are depleted.

Safeguards:

1. Funds are wired directly to investment accounts or depository accounts.
2. Funds wired directly to investment accounts are not subject to under collateralization risks.
3. Amounts received are verified by a minimum of two persons.

Journal Entries / Budget Changes

Journal entries are created primarily by the Director of Accounting Services and approved by the Chief Financial Officer. The finance department makes every effort to limit journal entries; however, on occasion they are warranted. Budget changes are created at the campus or department level. Business rules are in place in the financial management software to prohibit budget changes that would alter the budget approved by the board of trustees or mandated programs (i.e. State Compensatory Education, Special Education, Bilingual Education, etc.) per Texas Education Agency. Budget owners have final approval of allowable budget changes as suggested by the Legislative Budget Board.

Safeguards:

1. Journal entry workflow access is limited to Director of Accounting Services and Chief Financial Officer.
2. All journal entries must be reviewed and approved by employee who does not create the entry.
3. Financial management software business rules are consistent with TEA's fiscal budgetary controls which states all funds (General, Special Revenue, Debt Service, Capital Projects, etc.) and functions (Instruction, School Leadership, Plant Maintenance, Athletics, etc.)

Credit Card Usage

DeSoto ISD uses credit cards with the approval of the Superintendent. Credit cards are to be used primarily for small items, registrations, online purchases, and vendors who do not accept purchase orders or checks. All credit cards are checked out from the finance office with approved purchase order and loaded with amount not to exceed the approved purchase order. This ensures that funds are available, purchase is coded to the correct account, and purchase has been approved through the workflow system. When the purchase is complete the card is returned to the finance office with supporting documentation. The card is then deactivated until needed again.

Credit cards used for travel purposes follow a similar approval and check-out program. For travel, the credit cards are requested through the Travel Module of the financial management software. All other steps have similar controls.

Safeguards:

1. District has the ability to restrict merchant codes and setup separately by administrative and campus accounts to give an additional level of security on types of vendors / products purchased.
2. Purchases, coding, and fund availability are verified prior to the card being utilized.
3. Card is immediately deactivated upon return to mitigate any chance of loss or misuse.
4. Credit card does not replace the Purchase Order system or avoid the approval workflow.
5. Monthly statements are posted to the district website for public review.

Approved Vendors

The Director of Purchasing controls what vendors are created in the system. Vendors are active if they have a current contract with a district approved purchasing cooperative, are locally bid category vendors, are verified sole source vendors, or will provide goods and/or services under the maximum allowable dollar amount. Requests for a new vendor will be routed to the district purchasing office with all appropriate documentation. No new vendors may be added at the campus or department level. New vendors must complete a form W-9. Any payment that DeSoto ISD makes is subject to IRS 1099 reporting. DeSoto ISD uses the W-9 form to obtain pertinent information on potential payees including their tax identification number. This form is available through the IRS website.

Safeguards:

1. Vendors can only be added to the system by the Purchasing Department with appropriate documentations.
2. The person(s) authorized to add a new vendor is not able to process a Purchase Requisition or initiate a payment
3. Vendors must have a physical address, but may have a PO Box for receiving payments and other correspondence. These vendors are reviewed not less than annually.
4. A cross-check of employee addresses and vendor addresses is performed at least annually.
5. Spot check of any suspicious or duplicate W-9 forms using the IRS verification system.

Requisition / Purchase Order (Receiving Deliveries)

Vendors send products to the shipment address indicated on the Purchase Order. The campus or department that receives the merchandise must inspect the package for accuracy. If the order is correct and complete the campus will receive the order in the financial management software. If the order is incorrect, incomplete or damaged, the campus or department will contact the vendor and follow the vendor's preferred method for returning the shipment and the order will not be "received". The Accounts Payable department monitors the receive state of orders weekly. In order for a purchase order to be paid, check printed and sent to vendor, the financial management software verifies the purchase meets a three-way match. The three-way match minimizes the risk of payment for goods or services not received; essentially, the three-way match needs the following inputs to pay the liability:

- Invoice uploaded into the system (avoids paying an invoice twice)
- Received into the financial management software (i.e. correct quantities)
- Invoice dollar amount may not exceed the Purchase Order amount

If the invoice arrives and the product is received as complete, the accounts payable clerk knows that the order is ready for payment. If the order is not received, or the invoice amount doesn't match the purchase order, the accounts payable clerk will look for additional information from the budget owner.

1. Requisitions that exceed:
   a. $5,000 will be reviewed by the Financial Services Department;
   b. $25,000 will be reviewed by the Superintendent;
   c. $50,000 will be pre-approved by Board of Trustees;
   d. $50,000 in the aggregate for any category for a 12-month period must be evaluated for bid compliance, as required by the Texas Education Code, Chapter 44, Subchapter B, and Section 44.031(a).
2. All requisitions go through a multi-level approval process in the financial management software, and mandatory approval is required before a requisition becomes a purchase order.
3. Purchase orders cannot be processed without sufficient funds available.

4. Purchase orders cannot be processed to unauthorized vendors who have not been documented and entered into the financial management software.
5. Purchase orders are only generated from one central location subsequent to verification process.
6. All products must be "Received" at point of delivery before an invoice can be processed.
7. Invoice amounts greater than the purchase order cannot be processed.
8. Duplicate invoices (same invoice number) cannot be processed.
9. Request for payment will be routed through the multi-level hierarchy workflow for approval, and then to the Finance Department to ensure the accounting code structure uniformly applies to appropriation and expenditure of public funds.
10. Finance Department focuses on the following questions to monitor the process from requisition , check printing to final payment process:
    a. Fund Code. How will the expenditure be financed?
    b. Function Code. Why is the expenditure being made?
    c. Object Code. What is being purchased?
    d. Organization. What unit is making the purchase?
    e. Program Intent Code. To what student group is the instructional purchase or service being directed?
    f. Reasonable and necessary. Is expense in alignment with campus and district goals and policies?
    g. Audit. Director of Finance and/or Director of Accounting Services randomly select a sample population of checks to audit prior to mailing payment to vendor.

Checks

The accounts payable department runs payment batches weekly in the financial management software system, typically on Thursdays; however, checks may be run more often when necessary. The current financial management software allows the finance department to utilize blank check stock. Blank check stock mitigates many of the inherent risks associated with preprinted checks. The blank check stock goes into a specialized printer that uses Magnetic Ink Character Recognition (MICR) toner. The financial management software creates the print image for the check stock on hand, including district logo. All signatures are also embedded in the software which reduces the risk of loss of or damage to the signatures plates that were previously utilized. Security systems are in place that allow only authorized staff to access the check printing process. Persons with authority to initiate a payment do not have the authority to print a check.

The check documentation is uploaded in the financial management software for audit review, as necessary. Checks are recorded in the financial management software for reconciliation monthly as the clear the depository bank. The accounts payable clerk contacts the payees that have not cashed their check within 60 days. Checks remaining outstanding will follow the escheated property process defined by the Texas Comptroller's Office. Late payments to vendors reflect on the entire school district, and could result in late payment fees or interest charges to the district's account. Texas Government Code Chapter 2251 requires the district to pay vendors within 30 days of the later of:

- The date the goods are received
- The date of the performance of service
- The date invoices are received

All invoices sent directly to the accounts payable department for processing or financeinvoice@desotoisd.org email, and are appropriately received, are paid within specified limits.

When the purchase order system is not utilized, it may be necessary to process a Check Request that is paid directly from an invoice after services are rendered or merchandise received. While this is not the preferred method, it is necessary from time-to-time. When a Check Request is entered, and all documentation uploaded in the financial management software, it will go through the same approval process as a Purchase Requisition.

<u>With the exception of the system not allowing payment of duplicate invoices (which is only as reliable as the person entering the invoice), and vendor addition control, this is one of the areas where it is most difficult to maintain solid internal control procedures.</u>

Safeguards:

1. Person(s) who have check printing authority do not have the ability to initiate a check request or invoice payment request, approve a check request, or verify a check.
2. Utilization of blank check stock to mitigate risks associated with preprinted checks.
3. Signatures embedded in software eliminates loss or corruption of signature plates.
4. Payments must go through appropriate workflow and pass three-way-match.
5. All check requests must be verified before going to the printer.
6. Printed checks are verified against the original request.
7. Check registers are verified by management staff before being authorized for Positive Pay
8. Bank will not cash or process a check unless the amount, date, and check number match the Positive Pay file.

Voided Checks

On occasion there is a need to void an accounts payable check due to a vendor request following a lost check or payment error. The Director of Accounting Services will confirm that the check was not cashed and will issue a stop payment with the bank. The accounts payable clerk will void and reissue the check, as appropriate, via financial management software.

Safeguards:

1. Investigate and document reason for voided checks because an increase in voided checks could be a red flag of manipulation and cash mismanagement.

Wire Transfers

Repetitive wires are created for common cash transfers such as biannual debt payments and monthly liability payments. <u>All wires require two users, one person to initiate and second user to approve.</u> The user who creates the wire transfer is not the same person who approves the wire (the banking system rule). All wires are time sensitive. Wires must be initiated and

approved before 4:00 p.m. daily. If the wire is not approved by 4:00 p.m. the wire transfer will expire. The banking system will not allow wires to be sent before 8:00 a.m. or after 4:00 p.m. If the bank sees any activity inside or outside of working hours that raises a red flag, the bank is required to contact the Superintendent, Chief Financial Officer or Director of Finance for verification of transaction.

Safeguards:

1. Wires cannot be sent unless funding is available (wires cannot exceed bank balance)
2. User must have three-way match to access the banking system.
    a. RSA Secure Token ID (6 digit number that changes every 1 minute)
    b. Password
    c. User ID
3. Wires require two person accountability

Employee Advance/Reimbursement

Employees may be reimbursed for expense incurred for expenses incurred for district related expenditures which are reasonable and necessary.

All reimbursement requests flow through the multi-level hierarchal workflow for approval. All reimbursement requests must be accompanied by appropriate documentation that at a minimum include dated and detailed receipts. Texas State taxes may never be reimbursed.

Safeguards:

1. Request is made for reimbursement with all supporting documentation.
2. Request is entered into the financial management software with original receipt scanned into the system.
3. Request is approved by budget owner.
4. Request is forwarded to appropriate cabinet level supervisor for approval (unless out of Activity Funds)
5. Request is forwarded to finance office for final verification of codes and documentation.

Payroll and Benefits

The Superintendent and Chief of Human Resources control the creation of positions in the financial management system through the hierarchal workflow. The Chief Financial Officer monitors the positions for coding and budget adjustments as necessary with the approval from the Board of Trustees. Payroll is not involved in the process until the employee has been hired. Payroll and benefits will work with the employee to set up direct deposit (payroll does not issue paper checks) and benefits will work with the employee to set up all benefit deductions. Payroll and benefits cannot enter an employee in the system or adjust the salary of an employee.

Time and attendance is recorded electronically through the networked financial management software time tracking system. Supervisors must approve time and attendance for hourly employees before payroll is able to process payment. Since terminals are networked, time and

attendance data is transmitted to payroll respective to bi-weekly or monthly payroll runs, which reduces the human error when manually entering data.

To ensure that all payroll and benefits administration data is timely and accurate, payroll and benefits roles are segregated. Payroll and benefits each has one operational employee who is responsible for day-to-day operations of running payroll and administration of district benefit package. In addition, each division has a compliance employee who understands the federal laws and procedures, and acts as a second layer of accountability before data is transmitted via bank, TRS, IRS, etc. Payroll and benefits performs a monthly reconciliation which is signed by both departments and routed forward to the Director of Finance for review and signature.

Safeguards:

1. 100% Direct Deposit eliminates risk of check theft or alteration
2. System will not allow payroll or benefits to adjust salary
3. Time and attendance are transmitted electronically and are reviewed prior to processing payroll
4. Payroll and Benefits processing have segregation of responsibilities
5. System will not allow payroll access to create employees
6. System security roles are designated only for payroll personnel
7. Constant cross-training to ensure knowledge transfer and improve efficiency
8. Director of Finance performs review of payroll registers
9. No alteration in payroll calendar with Superintendent authorization

End of Year Closing

The Chief Financial Officer and Director of Accounting Services are responsible for processing the end of year closing steps and working with external auditors to ensure the general ledger accurately reflects the financial position of the district at year end. They will also work with external auditor on internal control and process evaluation. All records are subject to audit; including records at the campus and records kept with student club sponsors. Records must be kept current and in good order for audit. All audit entries must be posted accurately in the financial management software.

General Ledger / Chart of Accounts

The chart of accounts is comprised of eight segments or nineteen digits not including the dashes. All segments are recommended or required by the Texas Education Agency. The required segments include the fund, function, object, organization, and program intent code. The remaining four segments include the sub-object, fiscal year, and two future use (or locally defined) segments. The Director of Finance is responsible for reviewing code definition changes, additions or removals to the chart of accounts by monitoring the Financial Accountability System Resource Guide (FASRG) and Texas Education Agency publications. The Director of Finance is responsible for monitoring the code combinations created to eliminate any combinations that will not pass Public Education Information Management System (PEIMS) rules. The Director of Finance is able to make changes to the chart of accounts or coding combinations. Journal entries are created primarily by the Director of Accounting Services. Only a few journal entries may be created by payroll and cash management.

APPENDIX A - FLOWCHARTS

Chart 1: Initializing Payroll

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┌─────────────┐        ┌─────────────────┐        ┌──────────────────┐
│ Verify All  │        │ Verify Correct  │        │ Verify No Social │
│ Approved    │        │ TRS and FICA    │────────│ Security, Negative│
│ Timecards   │        │ Alternative     │        │ Checks, Paper    │
└─────────────┘        └─────────────────┘        │ Checks, or Errors│
      │                        │                  └──────────────────┘
      │                        │                          │
┌─────────────┐        ┌─────────────────┐        ┌──────────────────┐
│             │        │ Send HR Reports │        │ Send ACH and Child│
│ Audit       │        │ Regarding       │        │ Support          │
│ Timecards   │        │ Employee Docks  │        │                  │
│             │        │ and Comp        │        │                  │
│             │        │ Balances        │        │                  │
└─────────────┘        └─────────────────┘        └──────────────────┘
      │                        │                          │
┌─────────────┐        ┌─────────────────┐        ┌──────────────────┐
│ Pay Comp    │        │ Review New Hire │        │ Post             │
│ Leave Over  │        │ and Terms       │        │ Payroll/Paycheck │
│ 20 Hours    │        │                 │        │ Proforma's       │
└─────────────┘        └─────────────────┘        └──────────────────┘
      │                        │                          │
┌─────────────┐        ┌─────────────────┐        ┌──────────────────┐
│ Review      │        │ Verify Docks,   │        │ Create Payroll   │
│ Consumption │────────│ Wages, and      │        │ Disbursements    │
│ of Supple-  │        │ Stipends        │        │                  │
│ mental Pay  │        │                 │        │                  │
│ Batches     │        │                 │        │                  │
└─────────────┘        └─────────────────┘        └──────────────────┘
```

Verify All Approved Timecards

Audit Timecards

Pay Comp Leave Over 20 Hours

Review Consumption of Supplemental Pay Batches

Verify Correct TRS and FICA Alternative

Send HR Reports Regarding Employee Docks and Comp Balances

Review New Hire and Terms

Verify Docks, Wages, and Stipends

Verify No Social Security, Negative Checks, Paper Checks, or Errors

Send ACH and Child Support

Post Payroll/Paycheck Proforma's

Create Payroll Disbursements

Chart 2: Payroll Compliance

```
┌─────────────────────┐     ┌─────────────────────┐     ┌─────────────────────┐
│  Enter and Verify   │     │  Authenticate EOM   │     │ Reconcile PR        │
│ Federal Garnishments│     │ TRAQs Reporting of  │─────│ Accounts to G/L     │
│   and Voluntary     │     │      Retirees       │     │                     │
│     Deductions      │     │                     │     │                     │
└─────────────────────┘     └─────────────────────┘     └─────────────────────┘
          │                           │                           │
┌─────────────────────┐     ┌─────────────────────┐     ┌─────────────────────┐
│  Proforma/Paycheck  │     │   Process PR Tax    │     │ Reconcile, Confirm, │
│  Audit of Deductions│     │ Payment Submissions │     │ Submit ALL PR EOM,  │
│      and TRS        │     │                     │     │    EOQ and EOY      │
│                     │     │                     │     │     Functions       │
└─────────────────────┘     └─────────────────────┘     └─────────────────────┘
          │                           │
┌─────────────────────┐     ┌─────────────────────┐
│  Validate and Post  │     │ Evaluate and Print  │
│         PR          │     │  PR Vendor Deduction│
│ Disbursement Invoices│    │      Reports        │
│                     │     │                     │
└─────────────────────┘     └─────────────────────┘
          │                           │
┌─────────────────────┐     ┌─────────────────────┐
│  Generate Required  │     │  Remit Federal      │
│   PR Liabilities    │─────│  Garnishments,      │
│   for Payment       │     │ Transmit ACH and PR │
│                     │     │     Payables        │
└─────────────────────┘     └─────────────────────┘
```

Chart 3: Check Process

Campus/ISC Request Check

Budget Owner Verifies Fiscal Expense aligns w/ campus & district improvement plan

Budget Owner ensures all checks are submitted 14 days prior to need by date

Finance Department

1st Level of Check Request Review, Accounting Codes must be consistent with

Financial Accountability Standards Accountability Guide FASRG

Finance Department 2nd Level of Review & Final Approval

(Check Request)

Three-way match is required before payment

(invoice, $amount, inv. received)

4th Program Intent Code:

To what student group is the instructional purchase or service being directed?

All questions must be consisted with the FASRG

3rd Object Code:

What is being purchased?

$threshold >2499 will be routed to respective Cabinet Member and/or Superintendent

2nd Function Code:

Why is the expenditure being made?

4 Questions must be answered and must be consistent with FASRG

1st Fund Code:

How will the expenditure be financed?

Finance Clerk Print Checks

(District Utilizes blank check stock to eliminate theft of preprinted stock)

Senior Accountant performs spot checks over a weekly population of checks

Director of Finance sends positive pay file to the bank which authorizes payment of printed checks, if positive pay is not sent then bank will not pay checks until authorized by district CFO or Director

If check is not flag as a suspect check by the bank, then Bank Pays District Liabilities

Chart 4: Travel Module

System only allows Traveler to Request Travel via Travel Module; traveler submits travel request to finance 14 days prior to travel date

Traveler uploads all estimates documentation via Travel Module

Traveler will select reimbursement (as of July 1, 2015; no advances will be allowed; Traveler must submit all meal receipts for reimbursement

Budget Owner Verifies Fiscal Expenses are consistent with Grant, Campus or District Improvement Plan

Finance Department

1st Level of review Accounts Payable or Finance Clerk (if Federal Funds)

Finance Department

2nd Level of review & final approval CFO or Director

Travel Request Approved; Finance Clerk Prints Checks, if applicable

Director of Finance initiates positive pay, if applicable

Travel Returns "approved travel" Travel has 5 days to complete the travel expense report

Traveler uploads all final receipts (upload original receipts into the travel expense module)

Travel Expense Document, goes through the multiple levels of approval (Budget Owner, Finance Clerk, Account Payable Clerk, and final approval CFO or Director)

System calculates & Identifies, if employee owes district or district owes employee. Print Check or Follow Cash Receipt Steps to Pay District
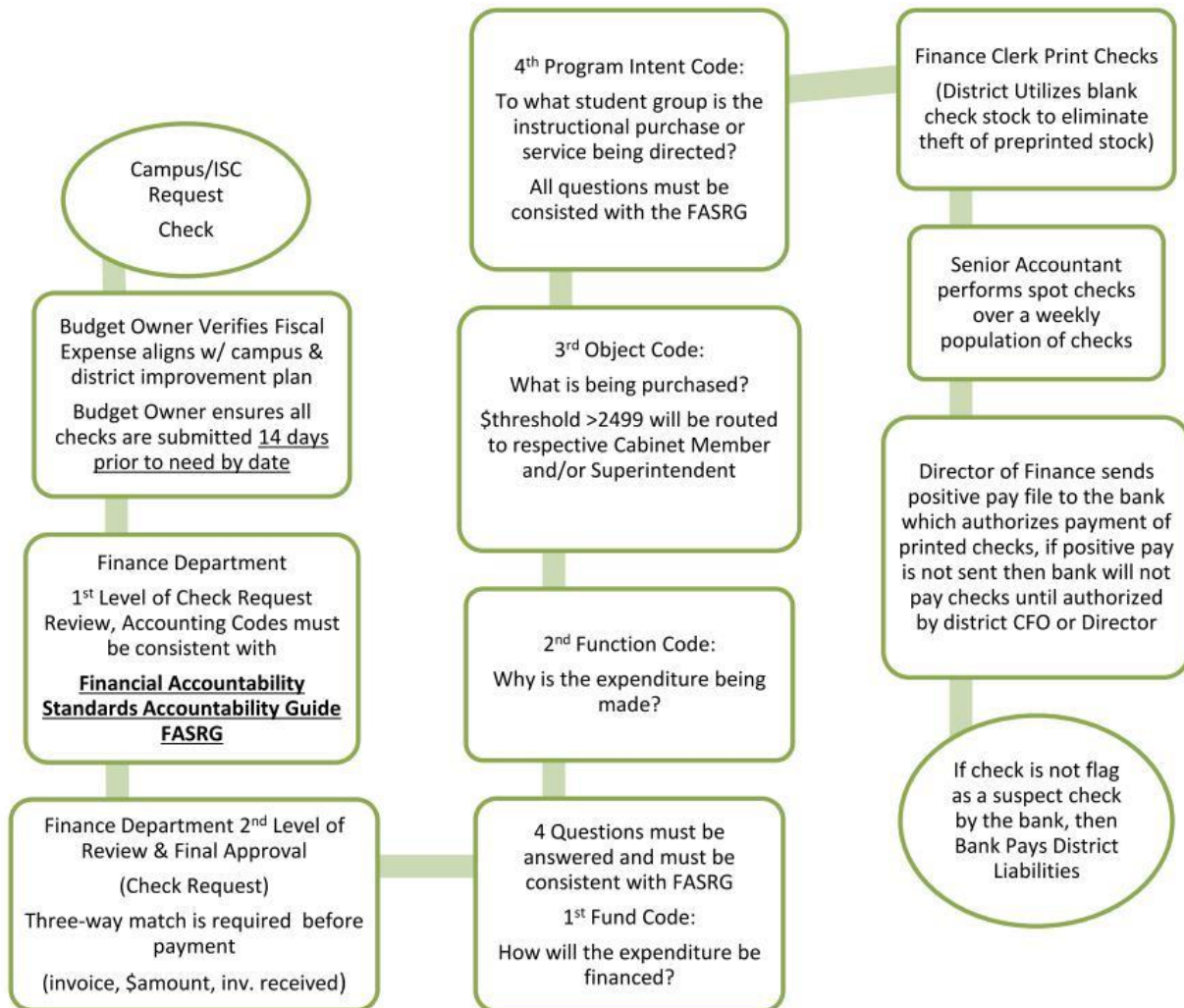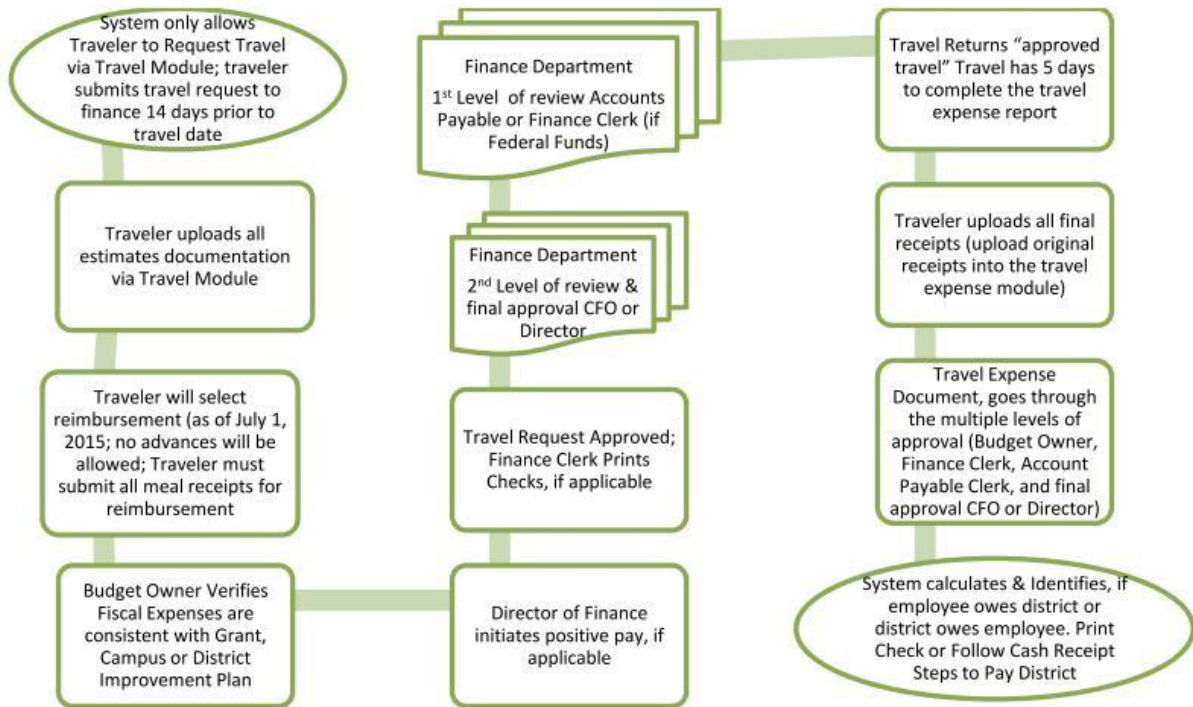
APPENDIX B - 2017-2018 RISK ASSESSMENTS

RISK ASSESSMENT CHECKLIST

Accounts Payable

The district Accounts Payable Department processes the payment of over 15,000 checks per year, processes credit card and travel, and obtains and posts information for IRS 1099 forms. The department currently employs three individuals. The volume of activity and dollar amounts of the checks processed through Accounts Payable, make it imperative that strict internal controls be present prior to Accounts Payable receiving the invoice to ensure that payments are processed properly and any risk of inappropriate activity is mitigated.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive written policies and procedures governing all department activities has been established		X		Needs updating, training, and adherence methods established. All dept. personnel involvement. Target completion 7/31/18
2. Transactions are processed in a timely manner and in accordance with District policies and procedures		X		Invoices received timely, processed timely. Too many AP Invoices for unauthorized transactions per Board Policy. Vendor and employee consequences need to be defined and followed. Asst. Supt Fin & Dir of Fin. Target completion 7/31/18
3. Appropriate documentation is in place to support transaction		X		Appropriate systems and procedures are in place. Verification of documentation prior to approval is an area that needs attention.
4. Adequate internal controls have been implemented to limit exposure to unauthorized or inappropriate transactions		X		See #2
5. Department operates within budgetary constraints	X			
6. Department personnel are adequately trained and continue to seek training opportunities		X		Ongoing training opportunities and professional organization membership encouraged and utilized. More local training opportunities needed.

7. Segregation of responsibilities for the requisitioning, purchasing and receiving functions from the invoice processing, check printing and general ledger functions.		X		TEAMS system is adequately set up for segregation of responsibilities. Unplanned expenditures, last minute requirements, and administrative directives require occasional override.
8. Segregation of responsibilities for the disbursement approval functions from those for the disbursement preparation function		X		See #7
9. All purchased goods are accompanied by a completed receiving report prior to payment		X		Process works well with items purchased with Purchase Orders, not items purchased without prior authorization.
10. Procedures are in place to ensure that the accounts payable system is properly accounting for unmatched invoices.		X		System works well. Additional training required.
11. Procedures for processing invoices not involving materials or supplies (i.e. lease or rental payments, consultants, utility bills)		X		Need better system of communication from inception to financial obligation. Process has improved since 16-17
12. Payments are made only on the basis of original invoices.	X			Additional training of vendors and campus / department personnel planned for 18-19
13. Referring differences in invoice and purchase order price, terms, shipping arrangements or quantities to purchasing for review and approval.			X	Purchasing, Finance, and Receiving will be putting together preliminary processes 18-19.
14. Reviewing the function, expenditure and program accounts on invoices without a PO for proprietary and budget conformity.			X	Putting procedures in place to assure more PO purchases in 18-19. With additional training of AP staff this will improve.
15. A system is in place to avoid paying invoices more than once.	X			
17. Check requests have proper documentation and workflow approval.		X		Proper systems and processes are in place. Additional district staff training required and planned for August 2018

Item				Comments
18. Persons requesting requisitions or checks do not have the ability to add or modify a vendor.		X		Proper systems and procedures are in place. Verification required. Purchasing, Asst. Supt. Fin & Dir of Fin. Target completion 8/31/18
19. Procedures are in place for handling vendor credits.		X		Written processes need to be established. AP Staff and Dir of Finance. Target completion 8/31/18
20. Check cycles are completed on a schedule and registers verified by third party.		X		Check cycles are completed timely. Third party verification limited by staffing levels. Internal Audit Function.
21. Procedures in place to monitor unusual or excessive absences or unused comp time.			NA	Currently there is not a system in place to accumulate or used comp time. Practice can be reexamined in 18-19
22. Processes, where possible have been automated to maximize efficiency and control.	X			
23. Invoices are received in one location and opened and distributed by third party.		X		This is done to the extent possible with limited staffing.
24. Open or incomplete purchase orders are researched and closed if appropriate on a regular basis.		X		This process has improved during 17-18; however, more regular monitoring and verification is needed.
25. Established procedures are in place to call attention to invoices not paid within the discount period.		X		Discount periods not applicable to most purchases. Where established by vendor discounts are taken advantage of. Written processes need to be established
26. Procedures are in place for periodic rotation of jobs and responsibilities.			X	This is possible only on a periodic basis due to staffing limitations and job responsibilities.
27. Individual responsibilities and SOP's are comprehensive and readily available.			X	
28. Promptly address any weaknesses or findings discovered during external audit process.	X			

Additional Information: The Accounts Payable department has made major strides during 17-18 to address department deficiencies. With updated procedures and guidelines we are expecting more "Strong" responses in 18-19.

RISK ASSESSMENT CHECKLIST

Cash Operations

The finance department receives cash/checks/wires on a daily basis as part of general district operations. It is important that these transactions be properly controlled to avoid loss or misappropriation. The finance department also maintains a number of depository accounts and investment accounts. Some of the risks associated with these accounts include misappropriation, failure to record, idle funds, and inadequate reserves.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive policies and procedures have been established for cash receipts and disbursements.		X		Strong procedures and guidelines are in place for cash receipts. More ongoing training at all levels is planned for 18-19.
2. The district is in compliance with all established procedures and regulatory requirements.	X			
3. Prenumbered cash receipts (or cash logs) are provided whenever cash or checks are accepted, except for ticketed events and food sales.		X		See #1
4. Receipts or cash logs are balanced to collections daily.			X	See #1
5. Food Service deposits are controlled by POS system.	X			
6. Food Service deposits are balanced to meals sold daily.	X			
7. Facilities are available for protecting undeposited cash receipts.	X			Extensive and ongoing training required at all levels to ensure advantage of protection is utilized appropriately.
8. Cash on hand and deposits awaiting collection are adequately secured and properly maintained.	X			See #7
9. Systems are in place to control check printing equipment.			X	Check printing equipment is unsecured. Working with Maintenance and Security to determine a more secure solution.
10. Cash and checks are deposited in a timely manner.	X			
11. Restrictive endorsement placed on incoming checks as soon as received.		X		

Item				Comments
12. All cash is counted by two or more persons and verification of amount attached.		X		Procedures and guidelines are strong and unambiguous. Monitoring, verification, and consequences need to be strengthened.
13. Deposits are taken to the bank by two or more persons, or armored vehicle.	X			There have been rare occasions when one person has had to deliver deposits when armored service was delayed.
14. All persons having access to district funds are properly bonded.	X			
15. Controls and physical safeguards in place surrounding working (petty cash) funds.	NA			District does not utilized petty cash at the campus or department level.
16. Bank accounts are regularly reconciled.	X			
17. Review and approval of all reconciliations and investigations of unusual reconciling items by third party business official, including approval by signature.			X	Three staff members review reconciliations; however, staffing limitations do not allow for third party. Internal Audit Function.
18. Segregation of responsibilities for preparing and approving bank account reconciliation.		X		Staffing Limitations.
19. District deposits are adequately collateralized.		X		Good systems are in place for monitoring daily cash balances, but systems for monitoring collateralization need to be strengthened.
20. Cash balances are reviewed on a daily basis and excess funds invested promptly.		X		Cash balances are reviewed; however, more documentation of activity and more aggressive investment procedures needed.
21. All bank accounts authorizations and signature cards are current.	X			
22. All funds received are recorded in a timely fashion.		X		
23. Segregation of duties between accepting cash, entering cash receipts in financial software, cash disbursement, and reconciling bank statements.		X		Every effort is made to segregate responsibilities; however, more work and staff training (additional responsibilities for current staff) needed.

Item					Comments
24. All guidelines for solicitation of depository bank comply with guidelines established in the Education Code.	X				
25. Positive Pay file for all check disbursements must be sent to bank.	X				
26. Check stock is secure and MICR printing is utilized to mitigate theft.			X		See #9
27. Maximize use of Direct Deposit, Wire Transfers, and ACH payments.		X			All payroll is direct deposit, and all bank transfers are done via wire transfers. Maximization of ACH is ongoing effort. There are limitations with software system.
28. Procedures in place for authorizing and recording interbank and interfund transfers and providing proper accounting for those transactions.		X			Need to be written and included in SOP's.
29. Adequate procedures are in place for collection of NSF checks.			X		
30. Individual responsibilities and SOP's are comprehensive and readily available.			X		
31. Promptly address any weaknesses or findings discovered during external audit process.	X				

Additional Information: The addition of armored courier service and safes at every campus have provided much more consistency and safety for district cash. Strong and comprehensive procedures for all aspects of cash handling have been established; however, stronger monitoring and verification must be put into place to ensure procedures are consistently followed. Most campuses and department seem to be doing a good job. Lack of having dedicated and knowledgeable staff with time to monitor is a limitation.

RISK ASSESSMENT CHECKLIST

Payroll Operations

The payroll department is responsible for processing 63 payrolls annually for over 1,200 monthly, bi-weekly, and substitute employees. The department also plays a critical role in the administration and recordkeeping of various benefits offered by the district, and state and federal reporting. Administering the payroll requires a high level of knowledge of many State and Federal laws and regulations, as well as a thorough understanding of the District's policies with respect to employment and benefit issues. It is imperative that strict controls be in place to mitigate any perception of mismanagement.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive policies and procedures addressing payroll activities has been developed and documented.			X	Written procedures and processes need to be established.
2. Controls in place over payroll preparations.		X		Good segregation of duties, but need better verification processes.
3. Segregation of responsibility for the payroll processing function from the general ledger function.	X			
4. Segregation of responsibilities for initiating payments under employee benefit plan from accounting and general ledger functions.	X			
5. Reconciliation of the payroll bank account within 30 days of the end of the period by employees independent of all other payroll processing activities.	X			
6. Non-payroll employees responsible for authorizing, approving and documenting all changes in employment (additions and terminations), salary and wage rates, and payroll deductions.		X		Weaknesses in this area are primarily due to staffing limitations. Studying issue to address situation.
7. Procedures in place to monitor attendance records, time-keeping, overtime hours or other special benefits.		X		System does a good job in monitoring and reporting. Most weaknesses are the result of human error or failure to authorize. Additional training is planned for 18-19.
8. Review for completeness and approval of hours worked or other time reports by the employee's supervisor.		X		See #7
9. Restricted access to master payroll file to employees who are authorized to make changes.	X			

10. A supervisor reviews all payroll registers to ensure the information has been accurately entered and captured as evidenced by signature.		X		Need to add signature line.
11. Review for reasonableness of comparisons (reconciliations) of gross pay of current to prior-period payrolls by a knowledgeable person not otherwise involved in payroll processing.			X	Developing a plan of action to improve this area in 18-19. Director of Finance and Payroll Team. Completion of SOP planned for 9/31/18
12. Regular review a comparison to amounts appropriated and budgeted, noting any significant variances.		X		New organizational responsibilities will provide additional time for monitoring, projecting and adjusting budget if required.
13. Policies prohibit payroll advances to officials and employees or subjecting them to appropriate review.	X			
14. Maintain a separate, imprest-basis, payroll bank account.		X		This area has been improved, but closer monitoring for transfers of funs required.
15. Payments for unclaimed wages at a later date are only made upon presentations of appropriate evidence of employment and approval by non-payroll officer.		X		
16. Comparing W-2 forms to payroll records and monitoring by employees not otherwise involved in the payroll process.		X		Comparisons are in place; however, segregation of duties is limited due to staffing levels and expertise.
17. Procedures in place for investigating returned W-2's		X		
18. Adequate account coding procedures for classification of employee compensation and benefit costs so that such costs are recorded in the proper general ledger account.		X		This area is strong except for having written procedures and SOP's for account codification.
19. Proper recording or disclosure of accrued liabilities for unpaid employee compensation and benefit cost			X	Accounting services and payroll will be tasked with improving this process in 18-19.
20. Payrolls are properly prepared, approved, and recorded.		X		Preparation and recording are strong. The approval process needs to be strengthened. New organizational responsibilities will assist.

21. Recorded balances are regularly substantiated and reviewed.			X	See #19
22. Signatures of employees preparing calculations and the officer reviewing the same should be evidenced on the appropriate register.			X	See #22
23. File copies of Employee Statements of Earnings and Payroll Registers are maintained in the custody of the Payroll Department.	X			
24. Payroll record access is limited to authorized employees only, and files are consistently safeguarded during and after business hours.	X			
25. All required reports (both State and Federal) and tax reports such as Form 941 are prepared accurately, approved by a supervisor, and submitted on a timely basis.		X		This process is 98% strong, but there is room for improvement on the approval, verification, and monitoring.
26. Individual responsibilities and SOP's are comprehensive and readily available.			X	
27. Promptly address any weaknesses or findings discovered during external audit.	X			

Additional Information: Payroll and benefits operations and safeguards is a primary area of focus in 18-19. Processes and procedures are strong with better than 98% accuracy in processing and reporting. We will be focusing primarily on written SOP's, monitoring and verification, and segregation of responsibilities.

RISK ASSESSMENT CHECKLIST

Contracted Professional Services

Professional services are rendered by personnel who are not on the payroll of the school district. Independent contractors (individual, entity, or firm) offer these services to the public and are paid on a fee basis. These specialized services are usually considered temporary or short-term in nature and are normally offered in the areas that supplement the expertise of the school district. Contracts for services are used by many departments in the school district and there are rules and regulations that must be adhered to during the procurement process.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive policies and procedures addressing professional services contracting has been developed and documented			X	
2. Bidding process is used when necessary and, if applicable, bid evaluations are available for review.		X		Processes for bidding are in place and adequate. However, monitoring and verification of categorical and component purchases need development.
3. Signed contracts for all contracted services are in place and available for review.		X		Need to establish centralized area for filing of completed contracted services contracts.
4. Processes are in place for renewal or re-negotiation for professional services.			X	Typically rely on vendor to initiate.
5. A Criminal History Background Check is on file, if applicable.	X			
6. An employee with the knowledge and expertise necessary is responsible for managing professional service contracts.			X	
7. There is a mechanism in place for reviewing and documenting vendor performance.			X	Systems and procedures are in place; however, there must be more training and accountability for completing evaluations.
8. Fees for the contracted service are reasonable and appropriate for the level of service provided.		X		Without a formal evaluation process in place, this criteria is left up to the individual budget manager or campus principal.
9. Adequate internal controls exist over the request, approval, and payment of professional services.			X	A very high level of autonomy has been allowed for contracted services.

Additional Information: This area needs much work and responsibilities and processes set in writing and monitored for compliance.

RISK ASSESSMENT CHECKLIST

Energy Management

The Energy Management Department is responsible for maintaining the energy management control system, which regulates temperature settings at most of the District's facilities. Other essential functions include: managing and controlling energy through analysis, implementation of conservation methods, and educational and incentive programs. Energy Management exists to manage and control energy while exploring methods to reduce energy expenses.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive written policies and procedures governing all department activities have been established.			X	Procedures and guidelines are in place; however, they are not adequately conveyed to end-user with explanation of benefits and consequences.
2. Temperature standards and guidelines for maintaining and energy efficient facility have benn developed and communicated to campus principals and facility managers.		X		Strong standards and guidelines in place. Communication and education in 17-18 has all but disappeared.
3. Temperature complaints are maintained and used in analysis to determine control or equipment repair or replacement.			X	Very strong area of department prior to 17-18. Much work will be required to return this criterion to former levels.
4. All energy usage is tracked an analyzed			X	See #3
5. Energy audits are conducted regularly and at random time periods.				See #3
6. Educational and incentive programs are provided to campuses and staff.				See #3
7. Adequate staff development is provided to department personnel.		X		Training, seminars, and professional organizations are attended regularly.
8. Utility bills are reviewed at least monthly.		X		Increased job responsibilities for energy management has reduced time allotted for bill review and verification.
9. Energy control systems are adequately supported.			X	See #3
10. The department operates within budgetary constraints.		X		
11. Tests of sample utility bills are conducted periodically to review for accuracy, reasonableness, and adequacy of supporting documentation.			X	See #8

12. Energy rates are negotiated at least annually to take full advantage of X deregulation.				
Additional Information: With the addition of Facilities Rental and Management added to the responsibilities of the Director of Energy Management, turnover of highly skilled staff, and no additional staffing, Energy Management has been highly neglected in 17-18. A reorganization and investment in training will need to be considered to fully realize optimum saving and comfort.				

RISK ASSESSMENT CHECKLIST

Fixed Assets

Fixed Assets, also referred to as capital assets, are defined by the Texas Education Agency as purchased or donated items tangible in nature that have a useful life longer than one year and a unit value of $5,000 or greater. For control and accountability purposes, the TEA's guidelines require that assets costing $5,000 or more be recorded in stated accounts. The district has also chosen to inventory items with a per-unit cost of $1,000 to $4,999. Although fiscal requirements for these assets are not as stringent as for capital assets, this classification includes portable items which are most susceptible to misappropriation. With over $200 million in inventories, it is important to ensure that all assets are properly safeguarded and reported.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive policies and procedures have been established for fixed asset and inventory items			X	This will be an area of focus for Asst. Supt Finance, Dir of Purch, and Purch Spec in 18-19. Anticipate Procedures in place and systems operational prior to 8/31/18.
2. District maintains a fixed asset sub ledger (register) which includes acquisition date, cost/valuation, additions/disposals, depreciation charges, net book value and other relevant information.		X		The financial management system Fixed Asset module in underutilized. This will be an area of focus in 18-19.
3. The district is in compliance with applicable policies and regulations.		X		Only with minimal requirements.
4. Detailed property records are maintained and available (including maintenance and repair, insurance, warranty, deeds and/or leasing information)		X		All property records need to be inventoried, categorized, and filed in a centralized location.
5. Processes for transferring assets among campuses or departments.			X	Processes are in place; however, there is no written procedures, training, or verification systems.
6. Additional procedures are in place for purchasing, monitoring and disposal of capital property acquired with federal funds.			X	See #5
7. Adequate internal controls have been implemented to limit exposure to unauthorized or inappropriate transactions.		X		
8. Additional controls are in place to limit those employees authorized to approve capital asset purchases.	X			
9. Fixed assets actually exist and adequate physical controls are in place.				

10. Assets are accurately recorded and presented in the district's financial statement.		X		Only what is legally required minimum reporting.
11. Obsolete and retired assets have been disposed of appropriately and adequate documentation exists to substantiate these disposals.		X		See #5
12. Complete physical inventories are completed on a not-less-than biannual basis.			X	A physical inventory has not been completed in over 10 years. Expect completion in 18-19.

Additional Information: Many factors have contributed to the weak controls and verifications in Fixed Assets. This will be an area of focus in 18-19 with clear expectation set in July 2018.

RISK ASSESSMENT CHECKLIST

Child Nutrition

Studies suggest that students who are malnourished do not have the same capacity for learning as students who have well-balanced, nutritional meals on a regular basis. Therefore, providing quality, well-balanced, nutritional meals for students of the district is an important aspect in preparing students to meet student achievement benchmarks and creating an environment of caring and nurturing. Child Nutrition operates as a freestanding operation with a goal to be financially self-sufficient.

Process	Strong	Adequate	Weak	Comments
1. Policies and procedures manuals adequately assist employees in complying with TEA, Health Department, and other standards for effective food service operations.	X			
2. Training sessions are held periodically to communicate changes in policies and procedures, as well as to answer questions and discuss potential opportunities for improvement of the process.	X			
3. Transactions are processed in accordance with documented policies and procedures, guidelines, and best practices.	X			
4. Procedures in place for accepting, recording, and preparing cash/check payments.		X		
5. Procedures in place for daily balancing, and reporting cash collections, and are consistent from campus to campus.	X			
6. Food service management performs random audits to examine cash and documentation.		X		
7. Procedures are in place for handling NSF checks.	X			
8. Controls are in place surrounding the on-line payment system including posting, reconciliation, and system maintenance	X			
9. Procedures are in place to maximize district's participation in the USDA surplus commodity program, and is compliant with all federal guidelines	X			
10. Departmental procedures for maintaining, securing, and controlling food inventory and other products is adequately monitored, tracked, and controlled.	X			

11. District maintains controls to ensure compliance with the verification (audit) of student eligibility for Free and Reduced Lunch Program and all procedures are performed in accordance with TEA guidelines.	X			
12. Initiatives have been implemented to provide services in the most cost-effective and efficient manner.		X		
13. The department operates within budgetary constraints.	X			

Additional Information: Child Nutrition was outsourced in 16-17 and strong procedures and processes have been established, monitored and verified.

RISK ASSESSMENT CHECKLIST

Maintenance Operations

The Maintenance Department is responsible for maintaining the functionality of district facilities and systems as well as providing a resource for district staff in maintaining a safe learning environment. The department is divided into sub-units that consist of the following: Painter/Builder, Locksmith, Electrical, Grounds/Pest Control, HVAC, Plumbing, Custodial, General Maintenance.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive policies and procedures addressing maintenance operations activities has been developed and documented.		X		Departmental procedures are in place; however, comprehensive written procedures need to be established and communicated.
2. Guidelines and schedules have been developed for routine, preventative, and emergency maintenance program.		X		Limited staffing has much preventative maintenance in the district to be minimized or abandoned. Some method for reestablishing will need to be considered in 18-19
3. Procedures are in place for controlling equipment, tools, spare parts and other supplies		X		Secure location provided. Need better monitoring controls.
4. Periodic inventories are performed to confirm items on hand		X		
5. Systems are in place to monitor stock levels		X		
6. Security measures are in place to protect supplies and equipment		X		
7. Maintenance vehicles are adequately secured after business hours		X		The area is secured by a fence and cameras are in use; however, these have not proved to be adequate deterrents.
8. Department performs regular maintenance and repairs to vehicles, and all documentation is available for review	X			
9. Adequate controls are in place to control access to fueling area and limit possibilities of theft of fuel.	X			Currently under contract with city. All vehicles have identifiable and trackable access keys and security cameras are in place.
10. The work order system effectively tracks and monitors maintenance requests	X			

11. A program of continuous professional development has been established, and programs attended are sufficient to maintain an adequate level of professional competency and awareness	X			
12. Employees are subjected to safety training on a regular basis for hazardous material, asbestos, blood borne pathogens, back injury prevention, and first aid	X			Safety training provided at least annually by third party risk management provider.
13. Procedures are in place to monitor and evaluate outside vendors or contracted services, including cost effectiveness		X		Most of these services are evaluated and bid out annually.
14. Procedures are in place to maintain and record warranties on equipment		X		
15. Controls are in place to evaluate overtime expenditures and determine justification.			X	Staffing limitations make overtime in maintenance department inevitable. However, better procedures can be implemented to determine appropriate staffing levels needed.
16. Methods are taken to continually improve the manner in which services are provided.		X		

Additional Information: The maintenance department does an excellent job at taking care of the district and grounds to allow for the best possible experience for staff and students daily. The primary areas of concern are preventative maintenance and staffing levels.

RISK ASSESSMENT CHECKLIST

Travel

Although they are not typically a sizable component of the district's expenses, travel costs can sometimes be areas of public concern and criticism. In addition, travel expenses, if not carefully controlled, can be easy targets of abuse and misuse. The district has implemented district-wide use of the Travel Module imbedded in the financial accounting software. This module has helped the district make significant strides toward controlling staff travel; however, at this time no module exists for students or non-employee (board) travel.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive policies and procedures addressing staff travel activities has been developed and documented.		X		Needs much more comprehensive training on procedures, processes, limitations and consequences. This is an area of focus for 18-19
2. Comprehensive policies and procedures addressing student travel activities has been developed and documented.			X	Student travel policies, procedures, and guidelines have been severely neglected and will need to be addressed summer of 2018 and communicated.
3. Comprehensive policies and procedures addressing board travel activities has been developed and documented	NA			Unknown if board of trustees have establish policies and procedures for travel.
4. Segregation of responsibilities for initiating travel advance, expense, reimbursements, credit cards, and check processing		X		There is some segregation of responsibilities; however, this is an area where staffing limitations are evident
5. Workflows are in place for proper authorization of employee and student travel.		X		Employee travel workflows are strong. Student travel workflows are weak
6. Purpose of travel is documented and it represents legitimate school business		X		Justification is a required field in the Travel Module; however, it is evident that little or no regard is given to this field as the request goes through the approval process.
7. Controls are in place to ensure that advances/reimbursements are reasonable, allowable, documented and comply with IRS requirements		X		The "reasonableness" test need to be explained to and enforced by budget manager. Allowable expenses are delineated in state and federal procedures, but better

				controls and enforcement are needed
8. Controls are in place to verify that appropriate receipts are attached as required		X		Controls are in place; however, too much latitude has been given for missing or unacceptable receipts.
9. Controls are in place to ensure that expenses paid for fellow travelers are not also claimed by other travelers			X	It is a focused area in 18-19 to develop a process to allow for better control in this area
10. Controls are in place to ensure that reimbursement requests represent expenses incurred only by employee and not by spouses or other family members			X	See #10
11. Controls are in place to ensure that federally funded travel meets all requirements and limitations of grant or program			X	See #10
12. Account numbers are verified to ensure that correct accounts are being charged for correct expenditures		X		
13. Controls are in place to control credit card spending levels and vendors during authorized travel			X	Processes and controls have been established for 18-19 to address this criteria.
14. Procedures are in place for student "Beyond District" travel to maintain equity among programs.			X	Good procedures for UIL events. Virtually no controls or procedures for non-UIL events

Additional Information: Much emphasis has been put on developing new and more stringent procedures and guidelines for 18-19 and beyond. Those procedures are in place and training is planned for all staff beginning July 2018.

RISK ASSESSMENT CHECKLIST

Discretionary Grants

Discretionary funding as authorized by state and federal law to districts and other grantees support a variety of programs and initiatives for such things as increasing student performance and high school graduation rates. It is the responsibility of the grantee to comply with all grant requirements, including those authorizing statutes listed in the applicable Request for Application (RFA) and in the Standard Application System (SAS) application. The award of state or federal grants and the receipt of funds are, in many cases, contingent upon the grantee's continued compliance with these program statutes and regulations. Funding can be terminated in the event these requirements are not met.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive policies and procedures documenting methods for preventing, detecting, and reducing fraud, waste, and/or abuse, have been developed, documented, and communicated to appropriate personnel.		X		Very good policies and procedures are in place for proper utilization of federal funds; however, little emphasis has been placed on investigation of misuse of funds. Communication with appropriate personnel is been minimal in this regard.
2. All program managers and directors have been thoroughly trained on USDE Education Department General Administrative Regulations (EDGAR)		X		EDGAR was written by the Director of Finance, approved by Asst. Supt of Federal Prog.; however, the level of training is unknown.
3. Procedures are in place for grant managers and directors to monitor, adjust, and document compliance with grant requirements			X	
4. Controls are in place to protect sensitive or personally identifiable information	NA			Unknown
5. Controls are in place to ensure that personnel are assigned according to the number of positions approved in the application or contract.			X	
6. Procedures have been developed to ensure that semi-annual certifications are signed by the employee, verified, and available.		X		These have typically been updated regularly, but need to be centralized and better controls in place to ensure compliance and verify accuracy.

Criteria				Comments
7. Procedures are in place to ensure that time distribution records are maintained and verified for those employees who work on more than one grant			X	Time distribution records have typically not been utilized in favor of percentage split-funding, which is not acceptable documentation per audit standards
8. Procedures to monitor and verify compliance with awards that stipulate matching or cost-sharing requirements		X		Documentation of compliance and requirement has typically not been set out at the beginning of grant nor in the budgeting process.
9. Adequate controls exist to identify the approved amount of indirect costs budgeted in grant.		X		
10. Monitoring to ensure that the budget for the grant project corresponds to the budget that was approved in the application or contract or is within the allowable budget variation.			X	Procedures are being put into place to strengthen this criteria in 18-19.
11. Controls are established to ensure that the district is in compliance with applicable program specific requirements (i.e. limitations on administrative costs, required spending percentages, etc.)		X		
12. Procedures in place to verify that funds have only been expended for budgeted line items approved in the NOGA, application or contract.			X	This is typically set up correctly during the initial budgeting upon award of grant; however, only limited procedures are in place to prevent or verify non-compliant spending
13. Controls in place to verify that federal funds supplement and not supplant all state and local funds and programs.			X	
14. Procedures and controls are consistently enforced to ensure that travel funds are expended as approved in the application or contract and according to state and federal requirements and specifically relate to the purpose of the grant program			X	Procedures are in place but there is little confidence that individual or group travel is analyzed for adherence to specific grant or federal requirements.

14. Analysis of program costs to outcomes and benefits achieved and compared to timeline submitted in grant application or contract is performed consistently by trained program personnel.		X		Some grant managers do a good job with this when it is a required element of the grant
15. Provisions have been made for ongoing, formative evaluations of program activities as described in the application or contract.		X		See #14
16. Procedures in place to request reimbursement funds on a consistent basis and communicate spending levels to appropriate program directors/managers.	X			
17. Individual responsibilities and SOP's are comprehensive and readily available.	NA			Unknown
18. Promptly address any weaknesses or findings discovered during external audit.		X		
Additional Information: This is an area of focus for 18-19				

RISK ASSESSMENT CHECKLIST

Credit Cards

The credit card program was implemented several years ago to establish a more efficient, cost-effective method of purchasing and paying for small dollar amount transactions as well as high volume, repetitive purchases. The program was designed as an alternative to the traditional purchasing process (departmental purchase orders) for supplies, materials, and travel. However, recently the program has expanded to the point that it is difficult to monitor and documentation was not always received in a timely manner. As a result, new procedures are in place for the 18-19 fiscal year. Because purchases are made directly by the cardholder, certain added responsibilities come with the use of the credit card. It is necessary to ensure that the District's purchasing and travel policies are being followed and that purchases are made within the established purchasing procedures.

Process	Strong	Adequate	Weak	Comments
1. Comprehensive policies and procedures documenting methods for preventing, detecting, and reducing fraud, waste, and/or abuse, have been developed, documented, and communicated to appropriate personnel.		X		New and updated processes and procedures are in place for 18-19 and it is anticipated that this criteria will be strong during the next evaluation.
2. Finance personnel have a complete inventory of all cards on hand and held by campuses and department outside of the Finance office.		X		See #1
3. All affected personnel have been trained on proper check out and/or use of district credit cards.		X		See #1
4. There is a schedule in place for consistent training of new and existing personnel in credit card use and guidelines			X	See #1
5. A copy of the Credit Card Agreement with the issuing financial institution is available and reviewed at least annually	X			
6. Procedures are in place to deactivate and verify deactivation and destruction of deactivated cards			X	See #1
7. Procedures are in place to ensure adequate funds are available and that cards are being used for district approved purchases prior to use		X		See #1
8. Controls are in place to monitor all credit card transactions for appropriate documentation that corresponds to transaction amounts		X		See #1

9. Procedures are in place to identify users who have not submitted adequate documentation.		X		See #1
10. Corrective action for noncompliance to District Credit Card usage guidelines is documented and available for review.			X	See #1
11. Job responsibilities are segregated to prohibit one employee from controlling all phases of card issuance and administration.			X	This area weakness is primarily the result of staffing limitations. This criteria is being examined for ways to mitigate weaknesses.
12. Spending limits and allowable vendors are assigned to each card holder for a limited amount of time.		X		See #1
13. Controls are adequate to monitor and adjust spending limits and vendors assigned within 24 hours of spending deadline		X		See #1
14. Finance personnel and Accounts Payable staff have been trained to monitor statements for inappropriate charges			X	This will be an area of focus in 18-19 which may require the utilization of outside expertise.
15. Controls have been established to ensure that travel and other items charged to a credit card are not also claimed on employee reimbursement requests.			X	This criteria is currently being examined by the Director of Finance and Asst Supt of Finance for solutions
16. Procedures are in place for Finance and Accounts Payable staff to report inappropriate or suspected fraudulent activity			X	See #15
17. Procedures in place for addressing lost or stolen cards		X		See #1
18. Individual responsibilities and SOP's are comprehensive and readily available.			X	
19. Promptly address any weaknesses or findings discovered during external audit.	X			
Additional Information: Development of new, updated, and enforceable guidelines and procedures has been a focus in 18-19 and management is confident that the new procedures, with support from board and superintendent will prove effective.				