



Seattle Public Schools The Office of Internal Audit

**Internal Audit Follow-up Report
Denny International Middle School**

Issue Date: June 18, 2013



Internal Audit Follow-up Report Denny International Middle School

BACKGROUND

On September 11, 2012, the Office of Internal Audit issued an audit report for Denny International Middle School as part of an evaluation of the district's overall system of internal controls. School audits assist in determining whether key internal control and compliance functions are being performed and whether schools have clear guidance and adequate resources to perform their functions.

In accordance with the 2012-2013 *Annual Risk Assessment and Audit Plan*, we have completed a follow-up review for Denny International Middle School. The purpose of a follow-up review is to assess the status of corrective action taken in response to prior audit findings. This report focuses on findings from the September 11, 2012 audit report, which contained four recommendations for Denny International Middle School and five recommendations for the District.

ROLES AND RESPONSIBILITIES

District management is responsible for follow-up and corrective action to address audit findings. To fulfill this responsibility, the District has a process in place, as well as designated staff, to track the status of audit recommendations and ensure that audit issues are resolved.

APPROACH AND METHODOLOGY

Internal audit reports include responses from the audited school or department. These responses typically include information about management's concurrence with the findings as well as corrective actions taken or planned to resolve the issues. Some important points to consider regarding corrective actions are as follows:

- Audited departments coordinate with an audit response team to develop their corrective action plans.
- Some corrective actions may take considerable time to fully implement, and some may require the effort of multiple departments.
- For some audit findings, District management may decide to assume the risk rather than try to mitigate it. If, in the judgment of management, the benefits of corrective actions do not outweigh the costs, this may be a reasonable approach. However, if Internal Audit's view is that this approach would subject the District to serious risk, we would report this to the Audit & Finance Committee for resolution.

REPORT FORMAT

We consider an issue resolved if Internal Audit's recommendation has been implemented or if some other action that resolves the issue has been taken. This report contains the original finding, recommendation, management response, and status of corrective action taken for all issues we found to be unresolved at the time of the follow-up review. Our initial report dated September 11, 2012 can be found on the District's website.



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RESULTS

Except for the following issues, we found that corrective actions sufficient to address the findings from the 2012 audit have been taken:

Extra Time Reporting – District

Finding: The District does not have sufficient guidance to determine the proper extra time rates for activities outside those described in the collective bargaining agreement (CBA).

Recommendation: Provide descriptive, written policies to schools to assist them in determining the appropriate extra time rates for activities not listed in the CBA, such as after school tutoring. Clarify when per diem rates are appropriate for extra time worked.

District's Response: The Finance Department concurs with the findings and will enhance the extra time reporting procedures to provide better guidance to our schools.

Status: Pending - Human Resources provided guidance to Denny International Middle School on the appropriate extra time rate for activities outside those described in the CBA. As of March 2013, the District was still in the process of determining the best mode to disseminate this guidance to all schools.

Cash Handling and Receipting Procedures - District

Finding: Funds collected by school staff are not always turned in to the fiscal office on the same day collected. Funds are not always deposited into a district bank account within one day of being collected.

Recommendation: Strengthen the language in the *ASB Procedures Manual* to highlight that funds must be deposited with the fiscal office on the same day collected, and deposits must be made with the bank within one day of being collected, as required by RCW 43.09.240.

District's Response: The Finance Department concurs with the findings and will enhance the *ASB Procedures Manual* and "General Fund Cash Handling Procedures" to provide better guidance to our schools.

Status: Pending - Accounting revised the *ASB Procedures Manual* in June 2012 to incorporate some of the recommended changes. Accounting hopes to have all revisions completed by September 2013.



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CONCLUSION

Denny International Middle School appears to have addressed all of the issues raised by Internal Audit. Additional work is needed on the part of the District to:

- Ensure that schools pay the appropriate rates for all extra time activities.
- Provide proper guidance on cash handling and receipting procedures.

MANAGEMENT RESPONSE

Management concurs on the two items still outstanding. Human Resource will provide instructions to all school by including the guidance related to extra time rate in the Principal Communicator while the ASB Procedures Manual has been updated and the Accounting Department will publish the revised version prior to August 2013.