



## **Seattle Public Schools The Office of Internal Audit**

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**Internal Audit Report  
Rainier Beach High School**

**September 1, 2015 through June 30, 2016**

Issue Date: December 13, 2016



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## Internal Audit Report Rainier Beach High School September 1, 2015 – June 30, 2016

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### Executive Summary

#### Background

We completed an audit of Rainier Beach High School for the period September 1, 2015 through June 30, 2016. Rainier Beach High School is located in the Southeast Region of Seattle Public Schools. It has over 569 students and 67 staff, and operates on an annual budget of \$6.49 million. The School runs an International Baccalaureate diploma program that offers its students college preparatory curriculum.

Although Rainier Beach High School was the focus of this audit, our primary goal was to evaluate the overall system of controls put in place by the District. The decentralized nature of a school district results in a situation where many key internal control and compliance functions are performed at the individual schools. The audits conducted at the individual schools will help ensure that these key functions are being performed and are having their intended effect. This audit will also help to highlight those areas where the schools may not have clear guidance on the procedures they are expected to perform, and it will identify those situations where they have not been provided adequate resources to perform these key functions properly. In addition to the findings and recommendations noted in this report, the Office of Internal Audit is also using the knowledge gained from the school audits to develop an annual risk assessment that will be used to identify future audit areas.

#### Roles and Responsibilities

This audit was completed as part of the *Annual Risk Assessment and Audit Plan* approved by the Audit and Finance Committee on October 6, 2015. Rainier Beach High School was selected for an audit because the District received multiple concerns regarding untimely payments to vendors. District Management has the primary responsibility to establish, implement, and monitor internal controls. Internal Audit's function is to assess and test those controls in order to provide reasonable assurance that the controls are adequate and operating effectively. We conducted the audit using due professional care, and we believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

#### Audit Objectives

To ensure compliance and strong financial internal controls in the following areas:

- Associated Student Body (ASB)
- Cash Handling and Receipting
- Disbursements
- Payroll
- Volunteers
- Risk Management
- Loss Reporting



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## **Scope of the Audit**

September 1, 2015 through June 30, 2016

## **Audit Approach and Methodology**

To achieve the audit objectives, we performed the following procedures:

- Planned the audit in cooperation with central administration staff from Accounting, Payroll, Human Resources, and Risk Management to ensure that we had a strong understanding of the District's compliance requirements.
- Conducted a surprise cash count in order to observe operations in their normal environment.
- Interviewed school staff knowledgeable of each objective area.
- Analyzed available data to corroborate the information obtained.
- Examined accounting records and tested supporting documentation.

## **Conclusion**

Based on the procedures performed, the School appears to have adequate controls in each of the objective areas, except for the items noted in this report. This report includes recommendations that are intended to improve the overall accountability and transparency of the objective areas.

We extend our appreciation to the staff at Rainier Beach High School for their assistance and cooperation during the course of the audit.

*Andrew Medina*

Andrew Medina, CPA, CFE  
Director, Office of Internal Audit



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**Findings and Recommendations**

**1) Cash Handling and Receipting**

During the course of our audit we identified the following concerns related to cash handling and receipting. The following issues represent basic cash handling and receipting problems that apply to both the General Fund and the Associated Student Body Fund:

- Funds collected by staff members and students are not always turned in to the fiscal office on the same day they are collected. This is partly attributed to the School not having an adequate system in place to collect funds from staff and students when the Fiscal Specialist is unavailable. In addition, it does not have a backup fiscal specialist and has not established an adequate process for staff and students to deposit funds when the Fiscal Specialist is unavailable. The School has a second safe in the main office designed to assist in these situations, but it is used infrequently and its availability has not been adequately communicated to its staff or students.
- Funds are not always deposited into a District bank account once every 24 consecutive hours, as required by the ASB Procedures Manual and state law.
- Deposits are not always made intact. On occasion, the School will disburse funds directly from fundraiser and concession proceeds in order to purchase supplies and inventory. District procedures requires all funds to be deposited intact, and for all merchandise to be ordered using appropriate ASB purchasing procedures and guidelines.
- ASB deposits are carried to the commercial bank rather than using the District's secure courier service. Using the District's secure courier service is required by the District's ASB Procedures Manual and decreases the risk of loss or theft.

The current procedures are not adequate to safeguard District resources which increases the risk of theft, loss, and abuse. We do not suspect that an actual loss of funds has occurred; however, the current procedures prevent us from providing positive assurance that all funds received were properly deposited into a District bank account.

**Recommendation**

In order to ensure accountability for District resources; reduce the risk of theft, loss, or abuse; and protect itself and its staff from unnecessary scrutiny, we recommend that the School:

- Instruct all staff members to promptly deposit any funds collected during the day with the fiscal office prior to the end of the day.
- Ensure that the fiscal office is open and staffed by someone who can collect funds and write receipts during normal school hours. For those instances when the fiscal office must



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be closed, it should create and communicate an alternate system to allow students and staff to deposit funds on the same day they are collected.

- Deposit all funds collected into the District's bank account within 24 hours of receipt.
- Deposit all funds intact and purchase all supplies and inventory in accordance with established District procedures.
- Use the District's secure courier service to transport all deposits to the commercial bank.



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## **2) Untimely Vendor Payments and Unauthorized Purchases**

Although school audits were included in the annual internal audit plan, this audit was initiated in response to complaints regarding untimely payments to vendors. During our review of disbursements, we confirmed that many vendors were indeed paid late. We also noted that in many cases the purchases were initiated without a pre-approved purchase order or personal services contract. The lack of a pre-approved purchase order or personal services contract directly contributed to the untimely payments. When an invoice is submitted by a vendor that does not have a pre-approved purchase order or personal services contract, the District's Accounting Department must conduct follow-up procedures to ensure that the transaction is valid and then create a purchase order or personal services contract after the fact. These additional procedures result in a delay in the payment process.

The School does not have clear ownership over the process for creating purchase orders and personal services contracts or the process for initiating these documents after the fact. Each person we interviewed believed that this was the responsibility of someone else. The staff members initiating the purchases with the vendors believed that the purchase orders and personal services contracts were being completed by the administrative staff, and the administrative staff believed they were being completed by the staff person requesting the goods or services. This lack of ownership resulted in purchases being made without proper approvals which prolonged the payment process. District procedures do not specify whether purchase orders and personal services contracts should be initiated by the staff person initiating the purchase or by administrative staff. This is a building level decision; however, the School never assigned clear responsibility for this function. A lack of communication and procedural understanding amongst the staff involved also contributed to the delayed payments.

### **Recommendation**

We recommend that the School:

- Train staff members to ensure that all employees understand that purchases for goods or services cannot be initiated without a properly pre-approved purchase order or personal services contract.
- Assign responsibility for creating purchase orders and personal services contracts to ensure staff have a clear understanding of what role they play in initiating purchases with vendors.
- Establish clear communication expectations for staff members to ensure that all emails and voicemails are addressed in a timely manner.



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### **3) Payroll Process**

During our review and testing of the School's payroll process, we noted instances in which overtime was not supported by properly completed time sheets. We also noted that the School has an inefficient process of routing time sheets for approval. At most schools, time sheets are usually routed to the administrative secretary first and then to the principal for approval. At Rainier Beach High School, time sheets are given the fiscal secretary for coding purposes and then to the administrative secretary for processing before the Principal reviews for approval. This extra step can create a delay in the approval process.

### **Recommendation**

We recommend that the School:

- Ensure all overtime is documented on a properly completed time sheet.
- Route completed time sheets to the administrative secretary first and then to the principal for approval. A copy of the approved time sheet can then be routed to the Fiscal Specialist if needed.



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#### **4) Volunteer Screening Process**

The School did not assign clear ownership and responsibility for ensuring compliance with District procedures related to the use of volunteers. As a result, it did not maintain all required volunteer documentation, and we cannot verify that all of the volunteers were properly screened.

#### **Recommendation**

We recommend that the School appoint a volunteer coordinator to ensure compliance with the District's procedures related to the use of volunteers. The volunteer coordinator should ensure:

- Staff members receive adequate training regarding the use of volunteers.
- The School has established adequate controls to ensure that all required documentation related to volunteers and chaperones is properly completed and retained.



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## **5) Risk Management (Field Trips)**

The School did not follow District policies and procedures related to field trips. Per Administrative Procedure 2320-A, Field Trips & Excursions, overnight field trips must be pre-approved by the appropriate Executive Director of Schools. We noted one overnight field trip in which the School was unable to provide documentation to demonstrate it received proper approvals prior to the trip taking place. In addition, proper forms were not used to document the field trip. The District has updated forms that have been designed to ensure that all aspects of field trips meet District expectations; including approvals, cost, activity, and number of chaperones. We also noted that the trip's airfare expenses were purchased directly by the students' families, rather than by a District-approved travel agency as required for any District-sponsored trip.

### **Recommendation**

We recommend that the School establish and maintain adequate controls to ensure that all field trips follow District policies and procedures. Specifically, it should ensure:

- All overnight field trips are pre-approved by the Executive Director of Schools on appropriate forms.
- Documentation is maintained demonstrating that all chaperones have been properly screened and trained.
- A Mandatory Trip Supervision Plan has been properly developed and communicated to appropriate personnel for all overnight field trips.
- All field trip expenditures and fundraisers are processed through a District account.



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## **6) Use of School Facilities**

The School did not follow District policies and procedures related to building rentals. It allowed outside groups to use its gymnasium without complying with the District's facility rental requirements. Specifically, the outside groups did not provide proof of liability insurance and did not pay the required rental fees.

The outside events were incorrectly categorized as internal girls' basketball team events on the District's official facility usage calendar. As a result, the event was considered to be rent-free when in fact rent should have been charged to the outside groups. District procedures allow some outside groups to use District facilities without paying rent when they support youth education but the events in question would not qualify for free rent as the events were used to host adult basketball leagues. Additional analysis is necessary to determine the amount of lost rental fees incurred by the District.

In lieu of paying the established rental fees to the District's Building Rentals Department, the outside groups made donations to the School's girls' basketball team. We noted instances in which the donations were deposited in to the team's ASB account, however additional analysis is necessary to determine if it contains all donations that were received by the School.

We will conduct additional audit procedures to determine the extent of lost rental fees to the District, and to determine if all donations have been properly deposited into a District account. The results of these procedures will be summarized in a separate audit report upon completion.

### **Recommendation**

We recommend that the School establish and maintain adequate controls to ensure compliance with District building rental policies and procedures. Specifically, it should ensure:

- The District's facility usage calendar accurately categorizes events as either internal or external.
- Outside groups using its facilities have complied with all of the District's insurance requirements and rental fees before allowing them access to the building.

We also recommend that the School train all staff members on proper receipting procedures to ensure that all funds collected are properly deposited with the School's fiscal office.



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**Management Response from Rainier Beach High School**

*We appreciate the feedback provided to our school regarding some of our processes and procedures as they relate to the audited areas. I am confident that each of the areas highlighted in the findings can and will be addressed in a timely manner.*