



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

West Seattle High School Internal Audit Report

September 1, 2016 through March 31, 2017

Issue Date: June 13, 2017

**Internal Audit Report
West Seattle High School
September 1, 2016 – March 31, 2017**

Executive Summary

Background

We completed an audit at West Seattle High School for the period September 1, 2016 through March 31, 2017. West Seattle High School is located in the West Region of Seattle Public Schools. It is a comprehensive high school with over 1,000 students and 52 staff, and operates on an annual budget of \$7.4 million. The school offers Advanced Placement courses and Career and Technical Education courses.

Although West Seattle 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 the schools 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 September 13, 2016. 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

Scope of the Audit

September 1, 2016 through March 31, 2017

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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 we performed, the school appears to have adequate controls in each of the objective areas, except for the items noted in this report. This report identifies several recommendations that are intended to improve the overall accountability and transparency of the objective areas.

We extend our appreciation to the staff at West Seattle 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 all funds:

- The Fiscal Specialist does not always count funds and prepare a receipt in the presence of the depositor or another individual.
- Receipts are not always issued in sequence and accounted for. The Fiscal Office used two different ASB receipt books concurrently. In addition, receipts are not reconciled to ensure all receipts are accounted for.
- 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.
- Funds collected by staff members and students are not always turned in to the fiscal office on the same day they are collected.

The current procedures do not provide adequate documentation to safeguard district resources, and they increase the risk of theft, loss, and abuse. We do not suspect that an actual loss of funds occurred; however, the current procedures prevent us from providing positive assurance that all funds received by the school were properly deposited into a District bank account.

Recommendation

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

- Write a receipt to staff members depositing funds with the Fiscal Specialist at the time the funds are deposited.
- The school should account for all receipts issued to the school by reconciling receipt activity periodically to ensure that each receipt has been either deposited with the fiscal office timely, is intact in the receipt book, or has been properly voided.
- Deposit all funds collected into the District's bank account every 24 hours.
- Instruct all staff members to promptly deposit any funds collected during the day with the Fiscal Specialist prior to the end of the day.

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2) ASB Activity Approval and Reconciliation Form

During the course of our audit, we noted that the ASB Activity Approval and Reconciliation Form is not always being completed as required by the ASB Procedures Manual. The reconciliation form is helpful in verifying that the ASB activity was properly approved and that the proper amount of funds have been collected and deposited into the School's bank account. Without the reconciliation form, it is difficult for the School to effectively monitor its fundraising activities. The reconciliation form allows schools to ensure that their actual profits are reasonable when compared to their planned activity, and to identify potential instances of missing revenue.

In addition, ASB meeting minutes were not documented or retained as required by the ASB Procedures Manual. As a result, we cannot verify that all activities were pre-approved by the student body.

Recommendation

We recommend that the School:

- Ensure the ASB Activity Approval and Reconciliation form is prepared and reconciled for all ASB related activities.
- Ensure that meetings take place at regular intervals; document the approval of proposed activities; and retain ASB documents in accordance with the retention schedule noted in the ASB procedures manual.

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Response Received from West Seattle High School

West Seattle understands the feedback provided to our school regarding Cash Handling and Receipts and ASB Activity Approval and Reconciliation Form. I am confident that each of the areas highlighted in the findings will be addressed and socialized in timely manner.

Cash Handling and Receipts we will:

- *Write a receipt to staff members depositing funds with the Fiscal Specialist at the time the funds are deposited.*
- *The school will account for all receipts issued to the school by reconciling receipt activity periodically to ensure that each receipt has been either deposited with the fiscal office timely, is intact in the receipt book, or has been properly voided.*
- *Deposit all funds collected into the District's bank account every 24 hours.*
- *Instruct all staff members to promptly deposit any funds collected during the day with the Fiscal Specialist prior to the end of the day.*

ASB Activity Approval and Reconciliation Form we will:

- *Ensure the ASB Activity Approval and Reconciliation form is prepared and reconciled for all ASB related activities.*
- *Ensure that meetings take place at regular intervals; document the approval of proposed activities; and retain ASB documents in accordance with the retention schedule noted in the ASB procedures manual.*