



SCHOOL BOARD ACTION REPORT

DATE: September 12, 2018
FROM: Ms. Denise Juneau, Superintendent
LEAD STAFF: Amy Fleming, Accounting Director, ajfleming@seattleschools.org
JoLynn Berge, Assistant Superintendent Finance,
jdberge@seattleschools.org

For Introduction: October 17, 2018
For Action: October 30, 2018

1. TITLE

Approval of the Washington State Auditor's (SAO) Annual Audit Services Contract for the 2017-18 Fiscal Year Audits

2. PURPOSE

This Board Action Report would authorize the Superintendent to reimburse the Washington State Auditor's Office for its services up to the amount of \$348,000 for the District's 2017-18 fiscal year audits.

3. RECOMMENDED MOTION

I move that the School Board authorize the Superintendent to reimburse the Washington State Auditor's Office (SAO) for its services up to the amount of \$348,000 for the District's 2017-18 fiscal year audits.

4. BACKGROUND INFORMATION

a. Background

The audit of the District by SAO is mandated by the State of Washington, in accordance with RCW 43.09.260, Local Government Accounting. State law requires the District reimburse SAO for their audit services.

The audit includes three components required for the District: 1) Accountability Audit, 2) Financial Statement Audit, and 3) Federal Grant Compliance Audit. The SAO audit includes an assessment of Seattle Public Schools' annual revenues, federal expenditures, significant issues found in prior audits, bond covenants, and State laws and regulations.

The estimated timeline for the annual audit is as follows:

8/31/2018	Fiscal Year 2018 Ends
10/25/18	Accounting files the Fiscal Year 2018 Annual Financial Report (F-196) with the ESD
11/15/18	Accounting files the Fiscal year 2018 F196 with OSPI
12/1/18(est.)	State Auditor's audit team arrives

1/9/19	Fiscal Year 2018 Unaudited Annual Financial Report presented to Board per Board Policy 6030
5/15/19(est.)	SAO completes financial and federal grant compliance audits
6/15/19(est.)	SAO completes accountability audit
6/29/19(est.)	Audit Exit Conference

b. Alternatives

Not approving this contract would violate State Law, which requires the SAO to examine the financial affairs of all local governments including Seattle Public Schools. The District could engage another independent firm for the annual audit. However, this would incur additional costs because the firm’s work must still be reviewed by SAO. Therefore, this alternative is not recommended.

c. Research

N/A

5. FISCAL IMPACT/REVENUE SOURCE

Fiscal impact to this action is originally estimated to be \$348,000. Rates for SAO are estimated to be \$100.00 per hour, reflecting a \$5.00 rate increase from January 1, 2018. The planned audit scope is 3,500 hours.

The revenue source for this motion is General Fund, and has been included in the annual budget.

Expenditure: One-time Annual Multi-Year N/A

Revenue: One-time Annual Multi-Year N/A

6. COMMUNITY ENGAGEMENT

With guidance from the District’s Community Engagement tool, this action was determined to merit the following tier of community engagement:

Not applicable

Tier 1: Inform

Tier 2: Consult/Involve

Tier 3: Collaborate

7. EQUITY ANALYSIS

As this action is required by state law, this motion was not put through the process of a full racial equity analysis.

8. STUDENT BENEFIT

This annual audit performed by the State Auditor’s Office ensures the District is utilizing its resources wisely to the benefit of students.

9. WHY BOARD ACTION IS NECESSARY

- Amount of contract initial value or contract amendment exceeds \$250,000 (Policy No. 6220)
- Amount of grant exceeds \$250,000 in a single fiscal year (Policy No. 6114)
- Adopting, amending, or repealing a Board policy
- Formally accepting the completion of a public works project and closing out the contract
- Legal requirement for the School Board to take action on this matter
- Board Policy No. _____, [TITLE], provides the Board shall approve this item
- Other: _____

10. POLICY IMPLICATION

Per Board Policy No. 6220, Procurement, any contract over \$250,000 must be brought before the Board for Approval.

11. BOARD COMMITTEE RECOMMENDATION

This motion was discussed at the Audit and Finance Committee meeting on October 8, 2018. The Committee reviewed the motion and moved the item forward with a recommendation for approval by the full Board.

12. TIMELINE FOR IMPLEMENTATION

Upon approval of this motion, SAO will perform their annual audit per the timeline anticipated above.

13. ATTACHMENTS

- RCW 43.09.260 (for reference)

- SAO notification of rate increase beginning January 1, 2019 (for reference)

RCW 43.09.260**Local government accounting—Examination of local governments—Reports—Action by attorney general.**

(1) The examination of the financial affairs of all local governments shall be made at such reasonable, periodic intervals as the state auditor shall determine. However, an examination of the financial affairs of all local governments shall be made at least once in every three years, and an examination of individual local government health and welfare benefit plans and local government self-insurance programs shall be made at least once every two years.

(2) During the 2009-2011 fiscal biennium, the state auditor shall conduct audits no more often than once every two years of local governments with annual general fund revenues of ten million dollars or less and no findings of impropriety for the three-year period immediately preceding the audit period. This subsection does not prohibit the state auditor from conducting audits: (a) To address suspected fraud or irregular conduct; (b) at the request of the local government governing body; or (c) as required by federal laws or regulations.

(3) The term local governments for purposes of this chapter includes but is not limited to all counties, cities, and other political subdivisions, municipal corporations, and quasi-municipal corporations, however denominated.

(4) The state auditor shall establish a schedule to govern the auditing of local governments which shall include: A designation of the various classifications of local governments; a designation of the frequency for auditing each type of local government; and a description of events which cause a more frequent audit to be conducted.

(5) On every such examination, inquiry shall be made as to the financial condition and resources of the local government; whether the Constitution and laws of the state, the ordinances and orders of the local government, and the requirements of the state auditor have been properly complied with; and into the methods and accuracy of the accounts and reports.

(6) A report of such examination shall be made and filed in the office of state auditor, and one copy shall be transmitted to the local government. A copy of any report containing findings of noncompliance with state law shall be transmitted to the attorney general. If any such report discloses malfeasance, misfeasance, or nonfeasance in office on the part of any public officer or employee, within thirty days from the receipt of his or her copy of the report, the attorney general shall institute, in the proper county, such legal action as is proper in the premises by civil process and prosecute the same to final determination to carry into effect the findings of the examination.

(7) It shall be unlawful for any local government or the responsible head thereof, to make a settlement or compromise of any claim arising out of such malfeasance, misfeasance, or nonfeasance, or any action commenced therefor, or for any court to enter upon any compromise or settlement of such action, without the written approval and consent of the attorney general and the state auditor.

[**2009 c 564 § 927; 1995 c 301 § 15; 1991 sp.s. c 30 § 26; 1979 c 71 § 1; 1965 c 8 § 43.09.260.** Prior: **1909 c 76 § 8; RRS § 9958.**]

NOTES:

Effective date—2009 c 564: See note following RCW [2.68.020](#).

Effective date, implementation, application—1991 sp.s. c 30: See RCW [48.62.900](#).

School district budgeting violations not to affect duties of attorney general under RCW [43.09.260](#): RCW [28A.505.150](#).

From: [Pat McCarthy, State Auditor](#)
To: WASStateAuditorSubscriptions@sao.wa.gov
Subject: 2019 Local Government Billing Rate
Date: Monday, July 30, 2018 9:50:17 AM

Dear Colleagues,

The Legislature approved cost-of-living raises for all state employees in this biennium. Additionally, the Office of Financial Management has approved a five percent salary increase for the auditor job classification, bringing state auditor salaries closer to the market rate. In order to fund these increases, we will be adjusting our billing rates.

As of January 1, 2019, hourly billing rates for local government audit work will be \$100, up from the current \$95. The rate for fraud investigations will be \$125, and the rate for auditors in travel status will be 75 percent of our hourly rate, or \$75.

I recognize that increased audit billing rates have an impact on every local government. I also know you value working with experienced auditors, and our goal is to provide you with high-quality audits. Legislatively-approved salary increases have resulted in a steady increase in our employee retention. We have also invested in training and developed more subject matter experts on our teams.

We strive to be as cost-effective as possible in providing our services. We annually evaluate our audit rates, and are committed to communicating any future rate adjustments in advance. Thank you.

Sincerely,



Pat McCarthy

Washington State Auditor

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