Seattle Public Schools
The Office of Internal Audit

Internal Audit Report
Central Administration Support of Schools

September 1, 2016 through May 31, 2018

Issue Date: September 4, 2018

Executive Summary

Background

We completed audits at Franklin High School, Hazel Wolf K-8 School, Cleveland High School, Center School, and Rainier Beach High School during the 2017-2018 school year. Although each school was the focus of their own audit, our primary goal was to evaluate the overall system of controls and operations 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 individual schools help ensure that these key functions are being performed and are having their intended effect.

This audit highlights those areas where the schools may not have clear guidance on the procedures they are expected to perform, and it identifies those situations where the schools have not been provided adequate resources to perform these key functions properly. This audit report is geared towards the support provided by central administration, whereas the individual school audit reports were aimed directly at the schools. In addition to the findings and recommendations noted in this report, the Office of Internal Audit is also using the knowledge gained from this audit and the school audits to develop an annual risk assessment that will be used to identify future audit areas.

Roles and Responsibilities

This audit is considered an extension of the school audits that were completed as part of the *Annual Risk Assessment and Audit Plan* approved by the Audit and Finance Committee on September 5, 2017. 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 that central administration is providing adequate guidance to schools in the following areas:

- Cash Handling & Receipting
- Building Leadership Team (BLT)
- Continuous School Improvement Plan (CSIP)
- Substitutes Rebates and Reimbursements
- Student records
- PE and Graduation Waivers
- Online Credits
- Enrollment
- Overnight Field Trips

- PTSA, Booster Club, and ASB Fundraising
- Crowdsourcing Fundraisers
- Leave Time Approval
- Nutrition Standards
- School Master Schedule
- Building Security

Scope of the Audit

- Franklin High School: September 1, 2017 through May 31, 2018
- Hazel Wolf K-8 School: September 1, 2017 through May 31, 2018
- Cleveland High School: September 1, 2017 through April 30, 2018
- Center School: September 1, 2017 through April 30, 2018
- Rainier Beach High School: September 1, 2016 through December 31, 2017

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, College & Career Readiness, Facilities, Human Resources, Nutrition Services, Payroll, and Records & Archives to ensure that we had a strong understanding of the District's compliance requirements

- Reviewed applicable District policies, superintendent procedures, administrative procedures, and written guidance provided by departments in central administration

- Reviewed applicable Revised Code of Washington, Washington Administration Code, and King County Department of Health website for State and local compliance requirements

- Interviewed school and central administration 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, central administration appears to be providing adequate guidance and support to schools in each of the objective areas, except for the items noted in this report. This report identifies recommendations that are intended to improve the overall accountability and transparency of the objective areas.

We extend our appreciation to the central administration and school staff for their assistance and cooperation during the course of the audit.

Andrew Medina

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Director, Office of Internal Audit

Findings and Recommendations

1) Use of the SchoolPay Automated Point-of-Sale System

The District implemented an automated point-of-sale system called SchoolPay at the beginning of the 2017-2018 school year. The SchoolPay system is intended to improve accountability and efficiency at District schools in response to prior concerns noted with cash handling and receipting. The new system reduces the risk of theft, loss, and abuse, and provides additional benefits, including standardization of the schools' receipting systems, timely financial reporting, and the ability for District families to make credit and debit card payments. The system was installed in most middle schools and high schools for the 2017-2018 school year, and will be installed in the remaining schools for the 2018-2019 school year.

We noted the following concerns related to the use of SchoolPay:

- Four of the schools we audited had SchoolPay installed, but we found that two of the schools were not using the system as it was intended to be used. With SchoolPay, manual receipts should only be required when there is a power outage or the system is otherwise unavailable. However, we found that the schools continue to prepare manual receipts for all funds collected at the Fiscal Office, and enters them into SchoolPay at a later point in time. This process negates the benefits of the SchoolPay system and increases the risk of errors and irregularities. The current practice provides an opportunity for funds to be misappropriated since transactions are not promptly recorded in the system. In addition, we found that the same two schools had several weaknesses with their manual receipting procedures that indicate a need for additional training.

- Schools that use manual receipts did not conduct a reconciliation to ensure that all manual receipts were recorded into SchoolPay.

- One school allowed multiple staff members to share the same SchoolPay User ID and password. Having a unique User ID and password will assign responsibility over transactions that are entered into the system.

- Back-up receipting staff were not assigned a SchoolPay User ID or password to have the ability to record receipts in SchoolPay. Providing these staff members with access to SchoolPay will ensure all payments are promptly recorded into the system when the Fiscal Specialist is unavailable.

Recommendation

We recommend that the District's central administration:

- Provide schools with additional training and guidance on the use of SchoolPay and proper receipting and depositing procedures. Ensure that fiscal staff are aware that all funds collected must be immediately recorded into SchoolPay, and the use of manual receipts should be limited to when the system is unavailable.

- Provide schools with more guidance on how to account for all manual receipts. Schools should reconcile all manual receipts to SchoolPay to ensure that each receipt has been properly recorded into SchoolPay, is intact in the receipt book, or has been properly voided.

- Ensure that all users, including back-up receipting staff members, are assigned a unique User ID or password that is not to be shared with others.

2) Online Credits

During our audits, we determined the District's policy and guidance related to procedures for online credits could be improved upon to promote better understanding and ensure consistency among schools related to enrollment and grading of online classes.

Equivalency Course of Study Form

Equivalency Course of Study Forms are used to determine the transferability of classes taken outside of the District's offered classes at its schools. The form must be completed and approved to ensure credit will be recognized by the District. Based on the Counselor's Manual and Superintendent Procedure 2024SP – Online Learning, it appears these forms are required to be completed for all online classes. However, upon further discussion with staff from the College & Career Readiness Department, we learned that these forms are only required for students who wish to enroll in out-of-District courses that students are taking for first-time credit. These forms are not required for students taking credit recovery classes to makeup credits that they have previously failed.

Online Class Grading System

- We found that the cumulative grade of all online assignments and exams are typically used to assign the final letter grade for online classes. However, at one school, we noted a teacher determines the letter grade based on the average of the midterm and final exam grades. As a result, 10 out of 13 online classes we reviewed had the final letter grade on school transcripts that did not appear to match the overall percentage grade earned in the class. Nine of the classes had a higher letter grade on the transcripts compared to the overall percentage grade noted in the online program. The District's Counseling Manual does not identify how grades for online classes should be calculated, which may result in inconsistent grading.

- At two schools we audited, we were informed that grade replacement is not possible for online classes. This means that if a student is taking an online course in response to a previously failed class, both the original failed grade and the new online grade remain on the student's transcript and are included in the student's GPA calculation. However, if the student re-takes the class at school, the new grade replaces the previous failing grade. Both classes will appear on the transcript, however, only the passing grade will be included in the student's GPA calculation. The District does not have clear guidance on how a student's GPA should be calculated when online classes are taken in response to a previously failed class.

Recommendation

We recommend that the District's central administration:

- Review its guidance and resources, including the Counselor's Manual and Superintendent Procedure 2024SP – Online Learning, and make any updates necessary to ensure that they consistently identify when an Equivalency Course of Study Form is required.

- Implement policies, procedures, and other resources that provide clear and consistent guidance on grading requirements and GPA calculations for online classes.

We acknowledge that management has taken our recommendations into consideration and is working towards improving its guidance and resources related to online credits. Management has drafted revisions to Superintendent Procedure 2024SP and is in the process of updating the Counseling Manual.

3) Substitute Rebates and Reimbursements

Substitute rebates and reimbursements occur when the District is not able to provide a substitute to fill an absence for employees such as teachers, paraprofessionals, and office staff. In this situation, another employee within the same building may take on the additional responsibility to cover the absent employees' assignment. This practice is governed by the Collective Bargaining Agreements (CBA) between the District and the Seattle Education Association (SEA). The CBAs require that each school have an emergency substitute process in place that equitably distributes the responsibility for covering assignments when a substitute is not available. In addition, employees in each SEA-represented bargaining unit will determine how to utilize the funds that are generated when they are impacted by substitute unavailability. Employees may decide to reimburse themselves for additional responsibilities or they may determine another use of the funds.

On a quarterly basis, the District rebates to the school a sum equivalent to a substitute's daily rate of pay for each occurrence during the school year that the District is unable to provide a substitute to the school which has followed the normal process, by notifying Substitute Services of their need for substitutes to fill absences.

We audited substitute reimbursements at three schools, and noted the following concerns:

- The CBAs require schools to follow the normal process for requesting substitutes in order to receive reimbursement. However, we noted that the schools received reimbursement even though some absences were never recorded in Aesop, the District's substitute management system, and other absences were not recorded until immediately prior to the school day. This results in situations where the District is reimbursing schools even though they were never provided with adequate time to try and find an available substitute. This can result is additional costs to the District since the daily rate of pay for the school staff covering the absence is likely higher than the cost of a standard substitute. This situation also increases the risk of abuse since there is nothing to prevent school staff from intentionally delaying their request for a substitute because they believe it will result in additional compensation for their colleagues within the school. The District lacks clear guidance on when a school must request a substitute in order to receive a reimbursement.

- The CBAs require schools to determine how they will use the substitute rebates and reimbursements through a vote made by each school's BLT (Building Leadership Team). During our audits, we found that the frequency of the vote varied at each school, and that the requirement for how often the vote should occur was not consistent across all CBAs. The Paraprofessional and SAEOP CBAs, indicate that on an *annual basis*, employees in each SEA-represented bargaining unit will determine how to utilize funds generated when they are impacted by substitute availability. However, the Certificated CBA does not indicate the frequency in which decisions should be made. Since this decision is voted on by the BLT, and the teams include both certificated and classified staff, the frequency of the vote should be consistent for all impacted labor groups.

Recommendation

We recommend that the District's central administration:

- Clearly identify how a request for a substitute should be processed and how soon the request must be made in order for a school to qualify for a substitute rebate and reimbursement. This information should be shared with all District schools, and central administration should monitor substitute rebates and reimbursements to ensure that it is only reimbursing requests that meet the established requirements.

- Clarify how often each school must determine how to utilize the funds that are generated when they are impacted by substitute unavailability, and how that determination should be documented.

4) Student Records

Board Policy 3231 governs the requirements for student records and Superintendent Procedure 3231SP establishes procedures governing the content, management, and control of student records. The District's Archives and Records Management Department also provides training and reference material related to student records.

We audited student records at three of the schools, and noted similar concerns at each school. Student cumulative files, which are used to collect and maintain academic records on a routine basis, included documents that are not required to be retained, have exceeded their minimum retention period, or should be retained in a separate confidential and/or medical file. Retaining these items in the student cumulative files increases the risk that they will be inappropriately released and it subjects the District to an unnecessary liability. In addition, we noted that students serving as teacher's assistants were allowed to file documents into student files. The repeated occurrence of similar concerns at all three schools reveals a need for greater clarity and prioritization of student record requirements.

We also noted the following concerns related to the District's guidance and resources:

- Starting in the 2017-2018 school year, the District determined that certificate of immunization forms would be stored centrally by the Archives Department, and would no longer need to be retained in the student cumulative files. However, there is confusion as to whether or not schools should remove existing certificate of immunization forms from student cumulative files.

- The Counseling Manual indicates that PE Waiver Request Forms are required to be retained in student cumulative files; however, the School Records and Retention Log states that these forms and other graduation waivers are not required to be retained if they are electronically recorded in student records. Retaining graduation waiver requests provides a record of why a student is receiving an exception to a graduation requirement and provides evidence of the principal's approval.

Recommendation

We recommend that the District's central administration:

- Provide more guidance and training to schools to emphasize the importance of complying with student records requirements to ensure that documents are properly secured, retained, and destroyed when no longer required.

- Provide schools with a clear expectation of whether existing certificate of immunization forms must be removed from the student cumulative files and submitted to the Archives Department.

- Update the Counseling Manual and the School Records and Destruction Log to state that all waiver request forms should be retained in the student cumulative files. This will make

the guidance consistent and provide important documentary evidence for graduation waivers.

We acknowledge that management has taken our recommendations into consideration and is working towards improving its guidance and resources related to student records.

5) Building Security

Board Policy 6805 governs the requirements over the key control system. An individual key record form is required to be completed for each staff member that is issued keys. These forms document who is assigned the key, and includes information such as key number, room number, and date keys are issued and returned. By signing the individual key record form, employees accept full responsibility for the keys they are issued. Employees cannot loan keys to students or other staff members, and they agree to return keys at the conclusion of the school year, or at the time of separation or transfer. Staff members who do not have assigned school responsibilities during the summer must return all keys to the Custodian Engineer. At least annually, the principal or building manager must review the needs and responsibility of staff members who have been issued keys and ensure that unneeded keys are returned. Staff members are to report the loss of keys immediately to the principal or custodian engineer; and are assessed a fee for the keys and for re-keying if necessary.

We audited building security at two of the schools, and identified similar concerns over the key control system at both. We noted the following concerns:

- There was no indication that keys issued at the beginning of the school year were returned at the end of the school year.

- Multiple copies of one room key were assigned to an individual, to distribute keys to other staff members rather than having each individual complete an individual record form.

- Custodial staff does not maintain an inventory of how many total keys there are for each room, and how many keys were issued to employees. Having an organized record of keys ensures only authorized individuals will have access to areas of the school, and allows custodial staff to readily determine if keys could be lost or missing.

The repeated occurrence of similar concerns at both schools audited, reveals a need for greater clarity and prioritization of the key requirements.

We also noted the following concerns related to the District's guidance and resources:

- The policy describes the master log as a master record of keys issued. However, this appears to be an inaccurate description based on our observations of the master logs maintained at schools. We found that the master logs included a list of key numbers held at each school along with the corresponding door for each key. The master logs did not include a record of keys that were issued to employees.

Recommendation

We recommend that the District's central administration:

- Provide more guidance and training to schools to emphasize the importance of complying with key requirements to ensure that keys are only issued to authorized staff during official assignments and that keys are properly accounted for.

- Include guidance on how to maintain an inventory of keys and provide a standard template to be used by Custodian Engineers.

- Update the key policy to clearly define the terms used to promote a better understanding of the requirements.

6) Nutrition Standards

Board Policy 6700 and Superintendent Procedure 6700SP governs the distribution and sale of food and beverages that are sold to students on school campus, during the school day. The school day is defined as the period from midnight before, to 30 minutes after the end of the official school day. The school principal is required to assure compliance with nutrition standards for all food and beverages sold by entities and individuals other than Nutrition Services.

Superintendent Procedure 6700SP allows only District approved items to be sold in schools during the school day. These approved items are documented on the Approved Snack and Vending List which is maintained and updated by Nutrition Services. Individuals, groups, or vendors wishing to add items to the Approved Snack and Vending List are required to make the request through Nutrition Services.

During our audits of individual schools, we found that schools do not always understand which foods are allowed to be sold during the school day. We noted unapproved foods in vending machines, and homemade foods that are being sold to students and consumed during the official school day. Schools were not aware of the Approved Snack and Vending List. We also noted that the List was not readily available in the District's resources and guidance.

Recommendation

To ensure compliance with Policy 6700 and Superintendent Procedure 6700SP, we recommend that the District's central administration create a fact sheet or similar guidance to help schools gain an adequate understanding of the District's nutrition standards. We also recommend that the District provide easy access to the Approved Snack and Vending List on the Nutrition Services website, and that Nutrition Services be given the opportunity to discuss nutrition standards with principals at a Principal Leadership Learning Day or similar venue.

Management Responses

Response Received from Central Administration

1) Use of SchoolPay Authomated Point-of-Sale System - Accounting Department

The District concurs with the finding. As a part of the monthly reconciliation process, the accounting department noted discrepancies between the online cash receipting system and deposits to the bank. We requested the auditors visit two of the schools to determine the cause. We will continue to work with these schools to provide additional training and identify appropriate back up to operate the SchoolPay system.

2) Online Credits - College & Career Readiness

We have already reviewed and suggested revisions for 2024SP that address many of the concerns raised in the audit, and are working with the Board to get approval for the revised procedure.

1. *In the revised procedure, it is clear when the Equivalency Course of Study Form is required.*
2. *In the revised procedure, we specify that for credit recovery, the grade assigned by the teacher of record is the grade that will be added to the transcript. We will be training counselors to enter the grade provided by the credit recovery provider, and not to allow teachers at the school to calculate or recalculate those grades.*

We also looked into the concern that schools are not sure how to handle grade replacement when a student retakes a previously failed course. Board Policy 2420 already stipulates that both grades must remain on the student's transcripts, but only the higher grade will be used to calculate GPA. DoTS maintains a QRD on how to replace the lower grade with the higher grade for GPA calculations. We will remind counselors of this policy and the QRD, and refer them to DoTS if they need any technical assistance.

We will update the Counseling Manual to ensure information about student records requirements is correct. DoTS and the Archives Department will need to update their documentation as well.

3) Substitute Rebates and Reimbursements - Human Resources Department

We appreciate the suggestions related to substitute reimbursements and will work with schools to improve our joint processes related to these practices.

4) Student Records - Archives Department

District Records and Archives agrees with the audit recommendations that additional and clearer guidance and training is needed for schools regarding student records requirements and the certificate of immunization forms. The School Records and Destruction Log will be updated to reflect that waiver request forms should be retained in the student cumulative files.

5) Building Security - Facilities Department

Thank you to our internal audit team for reviewing and assessing our process and controls for Building Security/Key Control. Management has reviewed with our internal audit team and concurs with the conclusions and recommendations included in this report. We have completed training with the two school sites audited in this review and will be reviewing practice with Managers and Supervisors in the next few weeks.

6) Nutrition Standards - Nutrition Services Department

Nutrition Services will create a fact sheet, update the Nutrition Services website, and provide updated training at the Principal's monthly meeting.