



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

**Internal Audit Follow-up Report
Nathan Hale High School**

Issue Date: December 16, 2014



Internal Audit Follow-up Report Nathan Hale High School

Background

On September 11, 2012, the Office of Internal Audit issued an audit report for Nathan Hale High 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 2014-2015 *Annual Risk Assessment and Audit Plan*, we completed a follow-up review at Nathan Hale High School. The purpose of a follow-up review is to assess the status of corrective actions taken in response to prior audit findings. This report focuses on findings from the September 11, 2012 audit report, which contained three recommendations for Nathan Hale High School to implement.

Roles and Responsibilities

District management is responsible for implementing corrective actions to address audit findings. To fulfill this responsibility, the District has a process in place to track the status of audit recommendations and ensure that audit issues are resolved.

Approach and Methodology

To complete this follow-up audit we performed the following procedures:

- Reviewed the prior audit workpapers and audit report to gain an understanding of the audit issues.
- Conducted a surprise cash count in order to observe operations in their normal environment.
- Interviewed school staff to gain an understanding of the corrective actions taken by the school and identify when the corrective actions were implemented.
- Analyzed available data to corroborate information obtained during staff interviews.
- Tested available documentation to determine if corrective actions have been fully implemented, are operating as intended, and address all issues raised by Internal Audit.

Results

Our initial report dated September 11, 2011, can be found on the District's website. We consider an issue resolved if management implemented our recommendations or took other appropriate action to resolve the issues. We found that Nathan Hale High School implemented corrective actions sufficient to address two of the three the findings from the 2012 report. The recurring item is repeated on the following pages of this report.

Andrew Medina

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Director, Office of Internal Audit



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Findings and Recommendations

1) Cash Handling and Receipting

We identified concerns related to cash handling and receipting. Although some were specific to ASB funds and some were specific to general funds, the following issues represent basic cash handling and receipting problems and therefore apply to both funds:

- The Fiscal Specialist does not always count funds and prepare a receipt in the presence of the depositor or another individual. During a surprise cash count conducted on October 16, 2014, we noted \$1,848.50 that had not been recorded on a receipt.
- Checks are not always restrictively endorsed as soon as they are received. During a surprise cash count conducted on October 16, 2014, we noted \$3,193.50 in checks that had not been restrictively endorsed as required by the ASB Procedures Manual.
- Funds are not always deposited into a District bank account once every 24 consecutive hours, as required by the ASB Procedures Manual and RCW 43.09.240.

The current procedures do not provide adequate documentation, and they increase the risk of theft, loss, or abuse. Although we did not identify any specific instances of missing funds, the current procedures prevent us from providing 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 Nathan Hale High School:

- Immediately complete a receipt in the presence of the depositor, after both people agree to the amount of funds deposited. If this is not feasible, then alternative procedures should be implemented to ensure that the amount of funds turned in to the fiscal office is accurately recorded on a District receipt. For example, the school could implement the following alternative envelope procedures:
 - The depositor can place the funds in a sealed envelope, write the cash and check amounts on the outside of the envelope, sign in ink across the seal, and place the envelope in a secure location. When the Fiscal Specialist is ready to count the funds, another individual needs to be present. Both individuals need to examine the envelope to ensure that the seal has not been broken, and then count the funds together. The Fiscal Specialist needs to sign and issue a receipt, and the other individual needs to initial the receipt acknowledging his or her agreement.



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The school should make every effort possible to count funds and prepare a receipt in the presence of the depositor. Any alternative procedures implemented should only be used in those rare instances when this is not feasible

- Restrictively endorse all checks immediately upon receipt in the fiscal office.
- Deposit all funds into the District's bank account within one day of being collected, as required by the *ASB Procedures Manual* and RCW 43.09.240.



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Management Response

Response Received from Nathan Hale High School

After meeting with Internal Audit and reviewing cash handling and receipting findings we agree to continue to work diligently to resolve the issues of:

1. Counting /receipting in presence of depositor

- *Fiscal Specialist will no longer accept payments (workbooks, fees, field trips) by teachers/staff. Students will be required to make payment directly with her.*

2. Endorsing checks upon receipt – not when making deposit

- *Fiscal Specialist will have deposit stamps accessible when taking payments to stamp checks when received.*

3. Depositing funds (bank or District red bag) within 24-hours of receipt.

We will continue to do our best to be in compliance of RCW 43.09.240.

- *Fiscal Specialist will establish specific times to accept fees/fines/payments within our school day schedule that will allow for her to complete deposits.*
- *Fiscal Specialist will establish protocols to share with and train our staff prior to the beginning of the 2015-16 school year.*

It is our recommendation that Seattle Public Schools implement a Point of Sale (POS) system. The lack of technology throughout buildings is the reason for most of the issues above.