



SCHOOL BOARD ACTION REPORT

DATE: September 11, 2019
FROM: Ms. Denise Juneau, Superintendent
LEAD STAFF: Amy Fleming, Accounting Director, ajfleming@seattleschools.org
JoLynn Berge, Chief Financial Officer, jdberge@seattleschools.org

For Introduction: October 16, 2019
For Action: November 6, 2019

1. TITLE

Approval of the Washington State Auditor’s (SAO) Annual Audit Services Contract for the 2018-19 Fiscal Year Audit.

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 \$340,130 for the District’s 2018-19 fiscal year audit.

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 \$340,130 for the District’s 2018-19 fiscal year audit.

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:

8/31/2019	Fiscal Year 2019 Ends
10/25/19	Accounting files the Fiscal Year 2019 Annual Financial Report (F-196) with the ESD
11/15/19	Accounting files the Fiscal Year 2019 F-196 with OSPI
12/2/19(est.)	State Auditor’s audit team arrives
1/8/20	Fiscal Year 2019 Unaudited Annual Financial Report presented to Board per Board Policy 6030

- 5/15/20(est.) SAO completes financial and federal grant compliance audits
- 6/15/20(est.) SAO completes accountability audit
- 6/30/20(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 \$340,130. Rates for SAO are estimated to be \$113.00 per hour, reflecting a \$13.00 rate increase from January 1, 2019. The planned audit scope is 3,010 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 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 7, 2019. The Committee reviewed the motion and moved it forward to the full Board with a recommendation for approval.

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, 2020 (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: 2020 Local Government Billing Rate
Date: Tuesday, August 13, 2019 10:01:29 AM

Dear Colleagues,

This letter is to notify you of an adjustment to our hourly billing rates for local government audit work. The adjustment is driven by the significant, back-to-back salary increases for state employees and increases to non-discretionary operating expenses.

As of Jan. 1, 2020, the hourly billing rate for local government audit work will be \$113. Fraud investigations will be billed at a rate of \$210 an hour. The hourly rate for auditors in travel status will remain at 75 percent of the applicable hourly rate, or \$84.75 for audit and \$157.50 for fraud.

As a veteran of local government, I strive as you do to provide services as cost effectively as possible. However, our hourly billing rates must keep pace with the true cost of doing business. The Legislature approved salary increases for all state employees for a second consecutive biennium. Although increased salaries and benefits have helped our efforts to recruit and retain talented staff, they also have increased our non-discretionary operating expenses such as legal services, centralized technology services and insurance.

Our goal is to maintain this hourly rate for the next two years, through 2021. However, we evaluate our audit rates every year and are committed to continued communication of any future rate adjustments. If you have any questions regarding this rate adjustment, please contact Kelly Collins, CPA, Director of Local Audit at (360) 902-0091 or email her at Kelly.Collins@sao.wa.gov.

We look forward to continuing our positive, productive working relationship.

Sincerely,

Pat McCarthy
Washington State Auditor

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