

Board Special Meeting

Quarterly Audit Meeting

Tuesday, March 5, 2019, 4:30-6:30pm

Board Office Conference Room, John Stanford Center

2445 – 3rd Avenue South, Seattle WA 98134



Minutes

Call to Order

This meeting was called to order at 4:31 pm Directors Pinkham, Geary and Mack were present.

Chief Financial Officer JoLynn Berge staffed this meeting.

Approval of agenda: Directors moved to approve the agenda. This motion passed unanimously.

Approval of meeting minutes Director Mack moved to approve the December 4, 2018 meeting minutes and Pinkham seconded, with Director Geary abstaining. These minutes were approved.

Minutes for this meeting were not recorded and staff compiled minutes.

Internal Audit Update

- Accounting and Record Keeping for Fiber Sharing Projects (Fry)

Capital Audit Program Manager Kim Fry explained that this was a review of the district's accounting and record keeping for fiber sharing projects. The audit looked at the district's accounting for fiber credits and general record keeping for fiber projects. Ms. Fry explained that the audit also examined whether there is transparency as to the existence of the credits and whether district leadership had decided how to handle credits prior to receiving them. Ms. Fry provided some historical context of the fiber consortium and explained how credits are received by partners in the interagency agreement. She explained that the district owns about 284 miles of fiber optic cable and that in 2017 the city Parks Department purchased strands in several areas where the district owns fiber. The Parks transactions resulted in over \$200,000 in credits for the district. Ms. Fry cited several examples to demonstrate how the district earned the 2017 credits. In one example, she explained that the Parks Department purchased strands at Olympic View Elementary School at a cost of \$81,478. Ms. Fry stated that because no other partner participated in the original Olympic View fiber project, the district received a credit for that entire amount. She explained that if the district were to request a refund, the \$81,478 should be applied to the original BTA II account. Any remaining refunds of fiber credits should also be applied to the corresponding capital projects accounts. Ms. Fry highlighted the district's lack of fiber project records, including the fiber sharing interagency agreement. Ms. Fry discussed when it is appropriate to use direct payments/check request procedures and recommended the district use purchase orders for fiber project expenditures instead of check requests. She also recommended that Accounting clarify the approval levels required for direct payments and revise the check request form to ensure it is being used only for allowable payment types. Ms. Fry stated that there is not enough transparency when it comes to fiber credits and there is no official guidance that informs management about how to account for or use credits. Ms. Fry recommended the district request a full refund of the credits from the 2017 Parks buy-in and also request refunds if credits are earned in the future. Directors asked where the refunds would land in the budget and suggested that

they be applied to capital projects. Ms. Fry agreed that consistent with generally accepted accounting principles, refunds should be applied to the original expenditure account; in most cases that would be a capital projects fund account. Directors asked if there could be similar types of agreements or credits elsewhere in the District that management is not aware of. Ms. Berge stated that this is the only known situation of this type.

Ms. Fry spoke about her recommendation that the city send all fiber project invoices to Accounts Payable and include the purchase order number. She recommends Accounting process both standard and credit invoices. Ms. Fry described the annual maintenance payments required from each partner in the consortium. The district pays approximately \$120,000 per year. She recommended the district retain the electronic files that support the charges and verify the accuracy of the amount billed. Ms. Fry explained that in 2018 DoTS signed a 10-year extension to the fiber interagency agreement. She stated that the board's practice of authorizing the superintendent to execute interlocal agreements is consistent with the Washington Interlocal Act, which requires that such agreements be authorized by the governing body. She recommended that Legal review the form of the 10-year extension and the Board authorize its execution. Ms. Fry also recommended the district codify this requirement.

- Seattle World School Audit (Medina)

Director Internal Audit & Ethics Officer Andrew Medina spoke about how the Seattle World School Audit was requested by District management and overall the audit was positive, but we do have 4 findings to discuss. Mr. Medina explained there was a total of four waivers approved during the scope of the audit to waive the physical education requirement. It was noted that all four waivers were approved and recorded by the same individual. In addition, three of the waivers did not have the required supporting documentation. Internal audit able to verify that each waiver was valid, but we recommend that going forward the responsibilities for requesting, approving, and recording waivers be segregated, and that all waivers include supporting documentation.

Director Mack asked if there could be delays and a lack of required documentation with waivers due to coordinating information between school staff and families. Mr. Medina replied that the waivers specific to the audit finding were PE waivers for students who had a full schedule. The only required supporting documentation would be a copy of the student's schedule to evidence that the student did have a full course load, and that the waivers should not have required parent coordination.

Mr. Medina spoke about field trip forms were not always completed or submitted to the Principal in a timely manner. He explained forms were also not always centrally retained in the Main Office. Internal audit recommended the School implement controls to correct these issues.

Director Mack asked if it was possible for families to complete one authorization form the school year, rather than having to complete a form for each individual field trip. Chief Financial Officer Jolynn Berge and Director Geary stated that each field trip is unique and that they didn't believe it is too cumbersome to complete a form for each individual trip.

Mr. Medina spoke about the finding on fundraisers. He explained Friends of Seattle World School (SWS) has an ongoing fundraiser called Art Cards for Scholarships. All proceeds are used to support that organization's Alumni Scholarship and Mentoring Program. They raise money from direct donations, and also through the sale of cards that feature re-printed images of SWS students' art work. He noted that allowing the use of students' art work without authorization could subject the District to copyright liabilities.

He explained Board Policy 2025 states that, "In general, students' own copyrights to their own creative works." Although Internal Audit learned that students verbally provide permission for the use of their art work, the Friends of SWS does not obtain written authorization from students or their parent or guardian. Mr. Medina also noted during our surprised cash count that the cards were available for sale in the school's main office. School staff would collect funds and set them aside until a representative from the Friends of SWS collected them. He informed the School that District staff should not handle funds on

behalf of an outside organization, and the principal immediately stopped allowing the sale of Art Cards at the School.

Mr. Medina reviewed the recommendations to Obtain and retain voluntary written authorization from students, and their parent or legal guardian if the student is not of legal age, before any current or future artwork is allowed to be produced. If the School wishes to allow the sale of art cards in the main office again, it ensure that School staff will not be responsible for accepting payments on behalf of the external organization and that they will not have access to the funds.

Director Mack asked if training related to fundraisers could be provided directly to PTA's. Ms. Berge responded that the District already provides training to schools who should know the correct procedures and should be able to train their PTAs.

Mr. Medina spoke about how the Seattle World School runs a summer school program in partnership with the Refugee Women's Alliance (ReWA), Seattle Parks and Recreation, and the Vietnamese Friendship Association. The funding for the program comes from ReWA, who receives Families and Education Levy funds from the city. The main issue we are citing is that the School was unable to provide us a copy of the partnership agreement for this program. The School tried to obtain a copy from ReWA, and we also tried to obtain a copy from the District's Partnership Office and the Grants Department. Without a copy we cannot determine if the current practices are in line with the terms of the agreement. Internal Audit also included a specific situation that emphasizes the need for a formal agreement. Internal Audit recommend that the District determine if a formal agreement exists. If so, the agreement should be examined to ensure that current procedures are in line with the agreement and with District policies and state law. If an agreement cannot be located, we recommend that one be developed clearly identifying the purpose, roles, and responsibilities of each party, and that the District work with ReWA to transition staffing funding to the District, so that District staff are paid through our Payroll Department.

Director Mack asked if this agreement is something that should be included in the Families, Education, Preschool, and Promise Plan agreement currently being developed. Ms. Berge replied that it doesn't because that agreement is directly between the District and the City, but the summer school program includes ReWA as a 3rd party.

Director Mack asked if we should request the documentation between the City and ReWA. Ms. Berge questioned the value of that documentation since it wouldn't include any specific terms applicable to Seattle School District.

Audit Response

1. Audit Response Management (Boulmetis)

Audit Response Manager Annette Boulmetis spoke about the timing of the recommendations currently being tracked. The majority of the items are scheduled to be completed in June and a more detailed status update will be presented at the June meeting. Recommendations that were recently resolved are included in the final pages of the worksheet.

2. Curriculum & Instruction (DeBacker)

Ms. DeBacker spoke about addressing the online credit issues. There is currently a policy change that is being worked on and will be taken to the Curriculum and Instruction Committee. All other items are due for resolution in June.

3. Human Resources (Codd)

Audit Response Manager Annette Boulmetis read a statement from Chief of Human Resources (HR) Clover Codd explaining HR's outstanding items are all connected to the implementation of the new

NeoGov functionality. That project is on track for completion by the next quarterly meeting, during which HR will provide a thorough update and anticipate closing out all remaining items at that time.

4. Budget & Finance (Berge)

One item was scheduled for corrective action to be completed in March, Interlocal agreements. Ms. Berge stated a BAR would be coming to the March Audit and Finance committee meeting that addresses the audit issue noted regarding a board resolution to use federal procurements in lieu of doing our own separate procurement (known as piggybacking).

All other items are due in June.

Adjourn at 5:55pm