



Seattle Public Schools The Office of Internal Audit

**Internal Audit Report
Rainier Beach High School**

September 1, 2016 through December 31, 2017

Issue Date: March 6, 2018



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Executive Summary

Background

Rainier Beach High School is located in the Southeast Region of Seattle Public Schools. It has over 730 students and 67 staff, and operates on an annual budget of \$6.87 million. The School runs an International Baccalaureate diploma program that offers its students college preparatory curriculum.

Although Rainier Beach High School was the focus of this audit, our primary goal was to evaluate the overall system of controls 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 the individual schools will help ensure that these key functions are being performed and are having their intended effect. This audit will also help to highlight those areas where the schools may not have clear guidance on the procedures they are expected to perform, and it will identify those situations where they have not been provided adequate resources to perform these key functions properly. In addition to the findings and recommendations noted in this report, the Office of Internal Audit is also using the knowledge gained from the school audits to develop an annual risk assessment that will be used to identify future audit areas.

During the 2017-2018 school year, the District implemented an automated point-of-sale system, which will allow families to make credit and debit card payments to schools. This will decrease the amount of cash and checks transacted through schools, and will reduce the financial risk traditionally associated with school audits. As the District transitions to this new system, the focus of this year's school audits will be less on fiscal matters and more on school governance. The main focus of the school audits will be on areas requiring schools to exercise some building-level autonomy over their procedures. Schools must make decisions to address the unique needs of their students, while still complying with federal or state requirements, collective bargaining agreements, and District policies and procedures. Many times these independent decisions will differ from school to school, and there is a risk that compliance requirements will not be addressed, or that the building-level decisions will create inequity from school to school. By including these areas in the school audits, we will be able to assess the risks associated with a decentralized environment, and we will be able to cover several important topics within each school audit

We acknowledge that Rainier Beach High School experienced turnover in key areas at the beginning of the 2017-2018 school year, including the counselor and registrar positions. This turnover presented significant challenges to the School's operations. The findings and recommendations identified in this report are not intended to highlight individual shortcomings, but rather are intended to guide employees on correct procedures. Rainier Beach High School was selected for an audit because the District received anonymous concerns related to the topics included in the standard school audit program. Although the concerns did not provide enough information to initiate a formal investigation, we initiated an internal audit in order assist the School in ensuring they have adequate internal controls related to the audit areas. Our goal was to help the School improve operations, and to protect the School from any future concerns. We



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appreciate the School's understanding of the internal audit process, and their desire to work with us on continuous improvement.

Roles and Responsibilities

This audit was 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 compliance and strong internal controls in the following areas:

- Cash Handling & Receipting
- Building Leadership Team (BLT)
- Substitute Rebates and Reimbursements
- Student Records
- Physical Education and Graduation Waivers
- Online Credits
- Enrollment
- PTSA, Booster Club, and ASB Fundraising
- Crowdsourcing Fundraisers
- Leave Time Approval
- Building Security

Scope of the Audit

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, Payroll, Human Resources, and Records & Archives to ensure that we had a strong understanding of the District's compliance requirements.
- Reviewed applicable District policies, administrative procedures, and written guidance provided by departments in central administration.



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- Conducted a surprise cash count in order to observe operations in their normal environment.
- Interviewed school 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 performed, Rainier Beach High School appears to have adequate controls in each of the objective areas, except for the items noted in this report. This report includes recommendations that are intended to improve the overall accountability and transparency of the objective areas.

We extend our appreciation to the staff at Rainier Beach High School for their assistance and cooperation during the course of the audit.

Andrew Medina

Andrew Medina, CPA, CFE
Director, Office of Internal Audit



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Findings and Recommendations

1) Cash Handling and Receipting

During the course of our audit, we evaluated receipts collected between September 1, 2017 through November 9, 2017, and identified a concern related to cash handling and receipting. Funds are not always deposited into a District bank account once every 24 consecutive hours, as required by the ASB Procedures Manual and State law. This issue is a basic cash handling and receipting requirement that applies to both the General Fund and the Associated Student Body (ASB) Fund.

Funds collected by staff members are not always turned in to the fiscal office on the same workday they are collected. In addition, untimely deposits are partly attributed to the School not having an adequate system in place over the use of a back-up safe. The School has a back-up safe where staff members can deposit funds when the fiscal office is closed. Staff members have been requested to send a notice to the Fiscal Specialist anytime they place money in the back-up safe, but this is not always completed. The Fiscal Specialist checks the back-up safe for funds anytime she receives notification that funds were placed there. The Fiscal Specialist also conducts periodic checks of the back-up safe, but it is not checked each workday to ensure that funds are deposited with the bank within 24 hours.

The current procedures are not adequate to safeguard District resources, which increases the risk of theft, loss, and abuse. This item was previously noted in our report dated December 13, 2016.

Recommendation

In order to ensure accountability for District resources; reduce the risk of theft, loss, or abuse; and protect itself and its staff from unnecessary scrutiny, we recommend that the School instruct all staff members to promptly deposit any funds collected with the fiscal office by the end of the workday, or to put money collected into the back-up safe if the fiscal office is closed. In addition, the School should implement a process to ensure that the back-up safe is checked each workday, regardless of whether communications are received from staff members.



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2) Student Records

Board Policy 3231 governs the requirements for student records and Superintendent Procedures 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 noted the following concerns associated with student records during the audit:

- 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 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.
 - Items such as notes, copies of driver's licenses, birth certificates, and restraining orders do not need to be retained in the student cumulative files. Although a restraining order is a public record, it is a legal document that is not collected and maintained by the School on a routine basis and does not serve educational purposes. These should be kept separate from cumulative folders to protect the privacy of students. We noted that the School keeps one copy of the restraining order in one central area of the main office, which is reasonable to quickly access the order when necessary to protect the safety of students.
 - Other items such as grade reports, attendance records, and disciplinary actions have limited retention periods and can be destroyed once their retention period has expired.
 - Confidential items such as 504 Plans and homeless information should be retained separate from the students' cumulative files.
- Although, the School referred to the state's retention schedule to determine retention periods, it did not complete the District's required Annual Retention and Destruction Log which notes the most common documents and retention periods for school records.
- Students serving as teacher's assistants are allowed to file documents in student files.
- Past student records are kept in boxes in a locked supply room; however, this room is accessible by all staff when supplies are checked out.

Recommendation

We recommend the following:



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- Staff members responsible for the maintenance and security of student records at the School should attend records management training provided by the Archives and Records Management Department.
- The School should review the student cumulative files and destroy any unnecessary documents that are not required to be retained or have met their retention period. The school should also remove and separately file documents that are considered confidential.
- The District's Annual Retention and Destruction Log should be completed and submitted to the District's Records Manager by the end of the school year.
- Only authorized and designated staff members should be allowed to file documents in student files.
- Although there is limited space and resources available, the School should work with the Archives and Records Management Department to determine whether there is a more secure method to store past student records in order to limit access to authorized staff members.



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3) Physical Education and Graduation Waivers

Board Policy 2415 governs high school graduation requirements. The policy was updated in November 2017, which removed the minimum 2.0 cumulative GPA graduation requirement. Therefore, we excluded the 2.0 GPA graduation waivers for consideration from the audit. The Graduation Requirements Bulletin and the K-12 Counseling Manual serve as the administrative procedures to further implement this policy. All physical education (PE) and graduation waivers are required to be approved in writing and signed by school principals, and filed in the students' cumulative files.

Based on our work performed, we noted the following:

- Two out of 10 student PE and graduation waivers tested were not supported by the required form. One student file included a letter from the counselor; however, the required waiver form was not included, and there was no indication that the waiver was reviewed and approved.
- Six of the eight waiver forms examined did not include a signature to document that the waiver was reviewed and approved.

Recommendation

We recommend that the School:

- Ensure that all waiver request forms are approved by the principal before they are processed.
- Retain all approved waiver request forms in students' cumulative files.



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4) ASB Fundraising

During the summer of 2017 there was a fundraiser held by one of the School's student athletic clubs. The club collected money in exchange for allowing vehicles to park in the School's parking lot. A total of \$2,550 dollars was deposited into the School's ASB bank account. Although the funds were deposited with the School, we noted the following concerns:

- The School could not locate the ASB Activity Approval and Reconciliation Form for this event, and we were unable to confirm the timeline of events or verify that the fundraiser was properly approved.
- The student athletic club did not go through the proper procedures of obtaining a permit for use of the parking lot from the District's Property Management Department.
- The money collected from this fundraiser was not deposited within 24 hours of receipt, as required by the ASB Procedures Manual and State law. The deposit was made approximately one month after the fundraiser took place.

Recommendation

We recommend that the School:

- Ensure fundraisers are properly approved before the activities begin, and retain supporting documentation in accordance with the District's retention schedule. This may require additional training for sponsors/coordinators that wish to conduct fundraisers when school is not in-session.
- Ensure necessary building rental permits are received when any District room, building, or parking lot will be used in connection with activities such as fundraisers.
- Ensure that all funds collected are deposited in a timely manner, including funds received when school is not in session. The District's Accounting Department has guidance available on how schools should account for funds received during the summer.



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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 loss of keys immediately to the principal or custodian engineer; and are assessed a fee for the keys and for re-keying if necessary.

Based on our work performed, we noted the following:

- For 10 out of the 14 individual key record forms tested, we found no indication that the keys issued at the beginning of the school year were returned at the end of the school year. We confirmed that these staff members did not have assignments during the summer, between school years.
- In one instance, we found that multiple copies of one room key were assigned to a supervisor, who was a contracted employee, to give out to other staff working under the supervisor.
- The School does not communicate or enforce fees for lost keys as noted in District policy.
- The School does not maintain an inventory of how many total keys there are for each room.
- Custodial staff are not notified in writing when employees are terminated or transferred. They may not be aware of departing employees until the employee returns their keys and communicates this information directly to the custodial staff. Without a regular report from administration, there is a risk that keys will not be returned timely and individuals will have unauthorized access to the school.

Recommendation

We recommend that the procedures associated with the key control system be strengthened to ensure building security and compliance with District policies and procedures. Specifically, we recommend that:

- The Custodial Engineer ensure all individual key record forms are fully completed, including documentation of when keys are returned.



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- The Custodial Engineer ensure that there is an individual key record form completed by each employee, including individuals who work under one supervisor, rather than issuing multiple copies of keys to one supervisor.
- The Principal or Building Manager, and the Custodial Engineer, communicate and enforce fees for lost keys. This may help to recover more keys and reduce unnecessary costs to replace keys and re-key doors.
- The Custodial Engineer should maintain an inventory of how many total keys there are for each room number.
- The Custodial Engineer should be promptly notified in writing by the School's administration when an employee is terminated or transferred to another building, when an employee will have assignments during the summer months between school years, and when staff members' responsibilities and assignments change. This will ensure that all keys are promptly collected and that only authorized staff members have access to the School.



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Management Response from Rainier Beach High School

We appreciate the feedback provided to our school regarding some of our processes and procedures as they relate to the audited areas. I am confident that each of the areas highlighted in the findings can and will be addressed in a timely manner.