



Seattle Public Schools The Office of Internal Audit

**Internal Audit Report
Garfield High School**

September 1, 2013 through February 28, 2014

Issue Date: June 19, 2014



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Executive Summary

Background

We completed an audit at Garfield High School for the period September 1, 2013 through February 28, 2014. Garfield High School is located in the Central Region of Seattle Public Schools. It is a comprehensive high school with over 1,650 students and 100 staff. Garfield High School operates on an annual budget of \$8 million. Its athletic programs participate in the King County 4A League and most programs include students from all grade levels. Garfield High School offers Advanced Placement courses, in addition to operating a variety of support programs for math, reading, and writing.

Although Garfield 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 the schools 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.

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 10, 2013. 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 financial internal controls in the following areas:

- Associated Student Body (ASB)
- Cash Handling and Receipting
- Disbursements
- Payroll
- Volunteers
- Risk Management
- Loss Reporting



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Scope of the Audit

September 1, 2013 through February 28, 2014

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, Payroll, Human Resources, and Risk Management to ensure that we had a strong understanding of the District's compliance requirements.
- 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 we performed, the school appears to have adequate controls in each of the objective areas, except for the items noted in this report. This report identifies several recommendations that are intended to improve the overall accountability and transparency of the objective areas.

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

Andrew Medina

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



Findings and Recommendations

1) Cash Handling and Receipting Procedures

During the course of our audit we identified the following concerns related to cash handling and receipting. Although some instances were specific to ASB funds and some were specific to general funds, the following issues represent basic cash handling and receipting problems that apply to all funds:

- Funds are not always deposited into a District bank account within one day of being collected.
- Funds collected by staff members are not always turned in to the fiscal office on the same day they are collected.
- Funds received through the mail are not recorded on a receipt.
- Funds received for Advanced Placement (AP) exams are not recorded on a receipt.
- Receipts issued to locations outside of the fiscal office are not controlled to ensure that all receipts are accounted for and used in chronological order.
- Checks are not always restrictively endorsed as soon as they are received.

The current procedures do not provide adequate documentation, and they increase the risk of theft, loss, and abuse. We do not suspect that an actual loss of funds occurred; however, the current procedures prevent us from providing positive 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 Garfield High School:

- Deposit all funds collected into the District's bank account every 24 hours.
- Instruct all staff members to promptly deposit any funds collected during the day with the Fiscal Specialist prior to the end of the day, including student store receipts.
- Write a receipt for all funds received by the school, including funds received for Advanced Placement (AP) exams and checks received in the mail.
- Issue receipts in chronological order and require that each receipting location only use one receipt book at a time. The school should account for all receipts issued to the school by reconciling receipt activity periodically to ensure that each receipt has been either



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deposited with the fiscal office timely, is intact in the receipt book, or has been properly voided.

- Restrictively endorse all checks as soon as they are received.

2) Fundraiser Reconciliation

An "ASB Activity Approval and Reconciliation" form was not completed for each ASB fundraiser that occurred. The reconciliation form is essential in verifying that the fundraiser was properly approved by the ASB Council, and that the proper amount of funds have been collected and deposited into the school's bank account. Without the reconciliation form, it is difficult for the school to effectively monitor its fundraising activities. The reconciliation form allows schools to ensure that their actual profits are reasonable when compared to their planned activity, and to identify potential instances of missing revenue.

Recommendation

We recommend that the school follow the fundraising procedures outlined in the *District's ASB Procedures Manual*, and complete an "ASB Activity Approval and Reconciliation" form for each fundraiser.

3) Volunteers

Three volunteer applications lacked sufficient documentation to substantiate their status as an approved volunteer at the school.

- The first two applications were unavailable for review, as there was no application on-file at the school.
- The third application was approved after the volunteer had begun volunteering at the school.

In addition, the schools current procedures for performing background check do not adhere to the Districts recent procedural changes related to volunteers.

Recommendation

We recommend the school establish controls to ensure all volunteer background checks are completed and documented. In addition, we recommend the school update its procedures to ensure it is in compliance with the District's updated volunteer procedures as outlined in the Volunteer Hand Book.



Management Responses

Response Received from Garfield High School

Garfield High School plans to implement the following:

- *Conduct all-staff training on proper deposit of collected funds, and send out more reminder emails.*
- *Conduct all-staff training on proper receipting for all funds received by the school, including checks received in the mail.*
- *Add one more layer of receipting to the AP exam fee collection, and request all staff return receipt books (used or unused) periodically for reconciliation and review.*
- *Conduct all-staff training on proper endorsing of checks, including checks received in the mail.*
- *Conduct all-staff training on District ASB Procedures.*
- *Volunteer paperwork turned in 1 week in advance, two weeks for overnight trips.*

Thank you,

*Theodore Howard II
Principal
Garfield High School*