



Seattle Public Schools The Office of Internal Audit

**Internal Audit Report
Roosevelt 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 Roosevelt High School for the period September 1, 2013 through February 28, 2014. Roosevelt High School is located in the Northeast Region of Seattle Public Schools. It is a comprehensive high school with over 1,650 students and 125 staff. Roosevelt High School operates on an annual budget of \$10 million. Its athletic programs participate in the King County 4A League and most programs include students from all grade levels. Roosevelt High School offers College in the High School and Advanced Placement courses, in addition to operating a variety of support programs for math, reading, and writing.

Although Roosevelt 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, Risk Management, and Property 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 Roosevelt 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) 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.

2) Checking Account Disbursements

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

- Identified \$4.36 in unallowable reimbursements to staff for personal items.
- Reimbursements to the library do not adhere to normal reimbursement practices. The library requests reimbursement on a form unique to them. This form lacks all of the required information, including employee numbers and signatures.
- The authorized check signers sign checks that are written to themselves.

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 disbursed by the school were for a legitimate and allowable purpose.

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 Roosevelt High School:

- Only reimburse school staff for legitimate and allowable purchases.
- Require all reimbursement requests to be completed on the district approved "Payment Order" form.



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- Establish controls to prevent the authorized check signers from signing checks that are written to them.

3) 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 counted in the presence of the depositor. During a surprise cash count conducted on February 4, 2014, we noted \$1,324.25 that had not been recorded on a receipt.
- 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. During our testing, we noted a check worth \$30,201.96 that was not recorded on a receipt.
- Funds received at the Student Store are not turned in to the fiscal office on the same day they are collected. In addition, the Student Store uses the previous day's receipts to establish their change fund.
- 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. During a surprise cash count conducted on February 4, 2014, we noted \$1,735.25 in checks that had not been restrictively endorsed.

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 Roosevelt High School:

- 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.



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- Write a receipt for all funds received by the school, including checks received in the mail.
- Complete a receipt in the presence of the depositor, immediately upon receipt of funds, 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 or Administrative Secretary is ready to count the funds, another individual should be present. Both individuals should examine the envelope to ensure the seal has not been broken, and then count the funds together. The Fiscal Specialist or Administrative Secretary should sign and issue a receipt, and the other individual needs to initial the receipt to acknowledge his or her agreement.
- 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 deposited with the fiscal office timely, is intact in the receipt book, or has been properly voided.
- Follow the District's *ASB Procedures Manual* when establishing change funds.
- Deposit all funds collected into the District's bank account every 24 hours.
- Restrictively endorse all checks as soon as they are received.



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Management Responses

Response Received from Roosevelt High School

We appreciate the feedback provided to our school regarding some of our processes and procedures as they relate to the eight areas of the audit. I am confident that each of the areas highlighted can and will be addressed in a timely manner. Although this is not the official corrective action plan, I included below some of the steps already taken to address the concerns.

- *All reimbursements are now using the approved form.*
- *A third signer was added to our account to avoid any issues with needing 2 signatures on checks.*
- *We are tracking the issuance and collection of receipt books with a final reconciliation taking place upon return of the receipt book.*
- *We continue to count deposits in the presence of the depositor and reminders to staff will be sent out to help facilitate this action.*

This is just a partial list of the corrective actions already underway. We look forward to providing the full corrective action plan prior to the deadline and for full implementation of the corrections prior to December 2014.

In closing, I would also ask that there is some investigation done into appropriate staffing levels for fiscal specialists in our schools. Roosevelt High School is the largest school in the district and we generate a huge amount of fiscal activity on any given day, week, month and school year. The amount of work expected from the fiscal specialist at Roosevelt High School is extreme and I would ask that some consideration is given to adjusting the amount of support to the actual workload and risk.

Thank You,

*Brian Vance
Principal
Roosevelt High School*