



## **Seattle Public Schools The Office of Internal Audit**

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**Internal Audit Report  
Franklin High School**

**March 1, 2015 through September 30, 2015**

Issue Date: March 15, 2016



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## **Executive Summary**

### **Background**

We completed an audit at Franklin High School for the period March 1, 2015 through September 30, 2015. Franklin High School is located in the Central Region of Seattle Public Schools. It is a comprehensive high school with over 1,300 students and 75 staff, and operates on an annual budget of \$8 million. Franklin High School offers Advanced Placement courses, in addition to operating a variety of support programs for math, reading, and writing.

Although Franklin 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 October 6, 2015. 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**

March 1, 2015 through September 30, 2015

## **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 Franklin 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 identified the following concerns related to cash handling and receipting. Although some instances were specific to the ASB Fund and some were specific to the General Fund, 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 once every 24 consecutive hours, as required by the ASB Procedures Manual and state law.
- Funds received through the mail are not recorded on a receipt.
- Funds received for Advanced Placement (AP) exams are not recorded on a receipt.
- Funds collected by staff members and students are not always turned in to the fiscal office on the same day they are collected.
- The Fiscal Specialist does not always count funds and prepare a receipt in the presence of the depositor or another individual.
- The Fiscal Specialist writes receipts from multiple receipt books, including those that were, or will be, issued to locations outside of the fiscal office.
- 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.
- Receipts completed incorrectly are not investigated or followed-up on to determine the reasoning for the inaccuracies, or to educate the individuals on proper receipting techniques.
- Edits to receipts issued to locations outside of the fiscal office are not investigated or followed-up on to determine the reasoning for, or validity of, the edits.
- Checks are not always restrictively endorsed as soon as they are received.

The current procedures do not provide adequate documentation to safeguard district resources, 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.



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## **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 Franklin 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 to staff members depositing funds with the Fiscal Specialist at the time the funds are deposited.
- 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 deposited with the fiscal office timely, is intact in the receipt book, or has been properly voided.
- Train staff and students on proper receipting procedures, including editing and voiding receipts.
- Investigate, and obtain explanations for, any edits to receipts or receipts prepared incorrectly.
- Restrictively endorse all checks as soon as they are received.



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## **2) Volunteer and Chaperone Screening**

During the course of our audit, we noted that the schools procedures related to volunteer and chaperone screening did not adhere to the District's recent procedural changes. Properly screening volunteers and chaperones is an important function of the school, as it helps to ensure the safety of students.

- Volunteers did not consistently complete all of the required elements of the volunteer application forms. These elements include 1) a completed Volunteer Application, 2) a passed Background Check, 3) a signed Volunteer Hand Book, and 4) viewing the Adult Sexual Misconduct Prevention video.
- Chaperones for single day field-trips were not consistently screened through the volunteer process as outlined above, which is required by District Administrative Procedure 2320-B.

### **Recommendation**

We recommend that Franklin High School establish controls to ensure that all volunteers and chaperones are properly screened and approved as required by District procedures.



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### **3) Pre-Signed Checks**

During the course of our audit, we noted that the school pre-signed several checks. While all checks were accounted for, pre-signing checks increases the risk of theft, loss, or abuse.

#### **Recommendation**

We recommend that Franklin High School only sign checks after the amount, vendor, and purpose of the purchase is known.



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**Management Response**

**Response Received from Franklin High School**

- 1) *Cash and receipt handling:*
  - a. *We will ensure timely collection and deposit of all funds into the ASB account. We have reviewed policy and procedures with our staff, coaches and advisers.*
  - b. *All funds received will be recorded and receipted to include those that are received through mail*
  - c. *AP exams will be receipted*
  - d. *We are revamping are receipting methods and assigning unique receipt books to each sport/club. We will also re-train on appropriate receipting to include voiding inaccuracies on receipts and re-issuing a new receipt. Further we ensure accurate accounting of funds in the presence of both the depositor and the fiscal clerk.*
- 2) *Volunteer and Chaperone Screening:*
  - a. *Establishing clear procedures and assigning responsibilities of the oversight of that process will take some time to develop. We will have this plan fully fleshed out in Corrective Action Plan.*
- 3) *We will immediately cease the rare practice of pre-signing checks altogether.*