



Seattle Public Schools The Office of Internal Audit

**Internal Audit Report
Thornton Creek Elementary School**

September 1, 2017 through October 31, 2018

Issue Date: December 4, 2018



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Executive Summary

Background

We completed an audit at Thornton Creek Elementary School for the period September 1, 2017 through October 31, 2018. Thornton Creek Elementary School is located in the northeast region of Seattle Public Schools. It is a K-5 option school with two Seattle Preschool Program Plus (SPP Plus) classrooms on campus. The School has approximately 600 students and 52 staff and operates on an annual budget of \$5.5 million. The School provides an alternative, creative approach to learning and engages students in exploration and discovery through expeditionary learning.

Although Thornton Creek Elementary 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 the District results in a situation where many key internal control and compliance functions are performed at individual schools. The audits conducted at individual schools will help ensure that these key functions are performed properly and are having their intended effect. This audit will also help to highlight those areas where schools may not have clear guidance on the procedures they are expected to perform and 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.

This audit was requested by District management due to concerns expressed by various District departments and families regarding the potential overlap of responsibilities between the School and the Thornton Creek Site Council. The Site Council is comprised of school staff and student parents and/or guardians designed to provide support to the School. The Site Council's subgroup, the Parent Group, serves as the fiscal arm of the Site Council. The Parent Group is comprised of parents and/or guardians only and does not include school staff members, except for those staff members who are also parents/guardians of students attending the School. Our audit included procedures to gain an understanding of the School's relationship with the Site Council and the Parent Group to better understand the roles and authorities of each organization. The School has a long-standing relationship with these organizations, which provide a significant amount of support to the School. The audit considered the relationship between the School and its support organizations, and the responsibilities of each organization, when evaluating the School's compliance with applicable State law and District's policies and procedures.

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



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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 4, 2018. District Management has the primary responsibility to establish, implement, and monitor internal controls. Internal Audit's function is to assess and test the internal controls 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 Objective

To evaluate the School's compliance and internal controls in the following areas:

- Cash Handling & Receipting
- Field Trips
- Support Organization and ASB Fundraising
- Crowdsourcing Fundraisers
- Nutrition Standards
- Leave Time Approval

Scope of the Audit

September 1, 2017 through October 31, 2018

Audit Approach and Methodology

To achieve the audit objective, we performed the following procedures:

- Planned the audit in cooperation with central administration staff from Accounting, Human Resources, Nutrition Services, Payroll, Risk Management, and Teaching and Learning 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.
- Reviewed applicable Revised Code of Washington and Washington Administrative Code for State and local compliance requirements.
- Conducted a surprise cash count to observe fiscal operations in their normal environment.
- Interviewed school staff knowledgeable of the objective areas.



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- Interviewed past and present members of the Thornton Creek Site Council to understand the support organization's role in relation to the School's operations.
- Analyzed available data to corroborate the information obtained.
- Examined accounting records and tested supporting documentation.

Conclusion

Based on the procedures performed, Thornton Creek Elementary 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 area.

We extend our appreciation to the staff at Thornton Creek Elementary School for their assistance and cooperation during the audit.

Andrew Medina

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



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Findings and Recommendations

1) School Support Organizations

Thornton Creek Elementary School has two predominant support organizations, including the Thornton Creek Site Council which serves as the governing body, and its subgroup, the Thornton Creek Parent Group that serves as the fiscal arm of the Site Council. The Site Council is comprised of school staff and student parents and/or guardians, whereas the Parent Group is comprised of parents and/or guardians only and does not include school staff members, except for those staff members who are also parents/guardians of students attending the School.

During the audit we noted that the relationship between the School and these support organizations is not clearly defined to differentiate each party's function and purpose. This creates a potential misunderstanding of each organization's roles and responsibilities, and how they impact the School's operations.

The following conditions contribute to a lack of understanding regarding the roles of the Thornton Creek Site Council and Parent Group:

- The District lacks formal guidance on the role that site councils should have with its schools. There are no policies or procedures specifically addressing site councils, or how a school is expected to interact with one. The collective bargaining agreement (CBA) between the District and the Seattle Education Association specifies that building-based decisions are made through a collaborative decision-making process established by the building leadership team (BLT). The CBA notes that the BLT and building-based committees will seek input from other organizational structures such as Parent Teacher Student Associations (PTSA) or site councils as appropriate, but it does not provide any additional guidance on the function of a site council. PTSAs are common among District schools but site councils are more infrequent. Since site councils include school staff, it can create the appearance that a site council is operating on behalf of a school. Schools would benefit from having written guidance to ensure that they clearly understand whether a site council is strictly advisory in nature or if they have decision-making authority.
- The Thornton Creek Site Council lacks formal organizational documents such as a charter or bylaws identifying items such as its purpose, mission, structure, and authority. The Thornton Creek Parent Group, which serves as the fiscal arm of the Site Council has bylaws and standing rules, but no such documentation could be located for the Site Council. In addition, the Site Council does not have a formal partnership agreement with the School or District. Without formal organizational documents or a partnership agreement, there is no clear documentation of the Site Council's purpose and authority.
- The bylaws for the Thornton Creek Parent Group state that, "*The Parent Group is responsible for coordinating fiscal activities of the school, including raising funds and, in conjunction with Site Council, disbursing funds for curriculum development through fund-raising events and grant writing. Site Council participates in the budgetary prioritizing and planning for use of Parent Group and District funds.*" This language implies that the Site



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Council and the Parent Group have the authority to make financial decisions impacting the School, but as previously indicated, the District has no clear guidance on the authority granted to site councils, and the School nor the District have a formal partnership agreement with the Site Council or the Parent Group. These statements make it difficult to understand how the Site Council and Parent Group are distinct from the School and increases the risk that Thornton Creek stakeholders will not understand correct operating procedures for the School.

- The level of staff involvement required in the Site Council may create the appearance that the Site Council is operating on behalf of the School, as well as acting with decision-making authority for the School. The Site Council Board is comprised of eight School staff representatives, all of whom are voting representatives. We were informed that School staff representatives may alternate with each meeting and the voting rights are provided to any staff members that are in attendance. Essentially all School employees, including BLT members are voting representatives of the Site Council. The Principal is also on the Executive Board of the Parent Group. This highlights the need for clear understanding of the roles and responsibilities of the Site Council.

Recommendation

Since the School was established in 1974, student enrollment has grown significantly, and the operating environment of the School has evolved over the years. The School's relationship with its supporting organizations should be reassessed to ensure that they can continue to provide support to the School, while meeting the School's mission and maintaining compliance with State law and the District's policies and procedures.

We recommend that the District's central administration:

- Create written guidance specific to site councils that clarifies the roles and responsibilities of a site council, and clearly identifies the decision-making authority granted to site councils, if any. The written guidance should also address the role of the school's BLT in making building-based decisions, and how a site council can support a BLT.
- Encourage the Site Council to draft formal organizational documents, such as a charter or bylaws, and enter into an official partnership agreement with the Site Council that clearly identifies the roles, authorities, and responsibilities of each party.
- Conduct BLT training at the School to ensure that the BLT understands its authority and responsibilities, and how it should work collaboratively with the Site Council and any other support organizations going forward.



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2) Cash Handling & Receipting

We noted the following concerns 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.
- Checks are not always restrictively endorsed as soon as they are received.
- During the surprise cash count, we found Parent Group funds totaling \$3,470 in the School's safe. The Parent Group has a designated locked box in the main office for the collection of Parent Group funds, but the funds noted during the cash count were mistakenly placed in the School's safe.

Recommendation

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 the School:

- Deposit all funds collected into the District's bank account every 24 hours. Funds collected after hours at the end of the work week or during weekends should be deposited by the next workday.
- Restrictively endorse all checks as soon as they are received.
- Keep non-District funds separate from the School's funds and ensure that staff members do not have access to non-District funds.



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3) Fundraisers

The School's fundraisers are primarily organized and sponsored by the Parent Group, including two events that are co-sponsored with the School's Associated Student Body (ASB). We evaluated the School's fundraisers to determine if they were properly categorized as external, ASB, or co-sponsored events.

We noted that fundraiser advertisements, newsletters, and other communications, including the School's website, did not always contain consistent information or clearly indicate who was sponsoring the events. Parent Group fundraisers did not always indicate that they were solely sponsored by the Parent Group. One fundraiser that occurred during the school day, and involving the participation of students, was not advertised as a co-sponsored event. Additionally, the School did not have a co-sponsorship agreement in place for two co-sponsored fundraisers. The District's ASB Procedures Manual requires an ASB Services Agreement to be in place for co-sponsored events, with a minimum of 10% or \$1,500 of the proceeds to be allocated for the School's ASB.

Fundraisers that are incorrectly categorized, or that lack co-sponsorship agreements, could be deemed public money, which should be recorded in the School's ASB Fund, rather than with the Parent Group.

Recommendation

To assign appropriate ownership of funds, and avoid any noncompliance associated with the accounting of public funds, we recommend that the School:

- Ensure that fundraisers are properly categorized and clearly advertised and communicated as either a Parent Group, School, or co-sponsored event.
- Pre-approve any fundraisers occurring on School property or involving the participation of its students during the school day.
- Establish a formal agreement with the Parent Group for any co-sponsored events to clearly define the responsibilities of each party and the distribution of funds raised.
- Ensure that it receives the correct amount of funds from the Parent Group after the completion of any co-sponsored fundraisers.



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4) Classroom Fees

Traditionally, schools present supply lists to students' families identifying the school supplies that families are requested to purchase. It is also typical for schools to request payments from families for items such as field trips and yearbooks as the events occur. However, at Thornton Creek Elementary School, we learned that it is common practice for teachers to collect funds from students' families, and for the teachers to purchase the school supplies in bulk and distribute them to students in their classroom. Each respective teacher makes requests to their students' families at the beginning of the school year for contributions to cover various items, including school supplies as well as supplementary items and activities such as yearbooks and field trips, and any other specific needs the teacher anticipates occurring during the year. These requests are commonly referred to as "classroom fees" at the School.

Although we were informed that contributions are entirely voluntary, we noted the following concerns which imply that contributions may be expected or required.

- The requests for contributions are recognized by the School staff, Site Council, and Parent Group as "classroom fees" and this terminology is commonly used when teachers make requests to students and their families. Using the term "fee" suggests that it is a required payment.
- Each teacher provides families with the total per-student amount, along with a detailed list of the items and activities covered by the classroom fee. Families may contribute in one lump sum, installments, or they can request financial assistance from the Parent Group. These payment options suggest that there is a minimum financial expectation for each family.
- Some of the items and activities included in classroom fees are of a voluntary nature, such as field trips and yearbooks. However, the classroom fees presented to families do not explicitly state that they are a request only, and they do not give families the option to opt-out of certain items and activities to meet their individual preferences and needs.

Classroom fees are collected by teachers and forwarded to the Parent Group to account for and administer each classroom's fund. However, since the teachers at the School are responsible for determining the amount of the classroom fees, as well as making direct requests to families to make contributions, and are collecting classroom fees from families, these fees should be considered public funds, rather than Parent Group funds, and should be accounted for in a District bank account and administered by the School.

Recommendation

We recommend that the School:

- Reassess whether it wishes to continue to allow the Parent Group to account for and administer classroom finances. The School has access to the District's automated point-



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of-sale system, SchoolPay, to receipt and account for funds. Although it will require additional administrative tasks to be performed by the School's staff, using the system to manage classroom finances can limit the amount of funds being handled by non-fiscal staff since SchoolPay provides the ability for families to make secure online payments. Additional benefits include allowing families to receive electronic receipts and view transactions for their children across different schools, as well as allow the School to easily account for specific class and line-item payments. If the School decides to continue using the Parent Group to administer classroom finances, the process must be changed to limit the involvement of District staff to avoid any appearance that the transactions are public funds that should be accounted for in a District bank account.

- Ensure that fees charged by the School meet the requirements of Board Policy 3520 – Student Fees, Charges, Fines, Restitution and Damage Deposits, and that all other requests for supplies and classroom expenses are clearly documented and communicated as voluntary.

- Implement procedures to have the School's administration review planned classroom expenses before they are communicated to families and use the District's Racial Equity Analysis Tool to ensure that the School is providing equitable access and opportunities to all its students.



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5) Classroom Assistants

The support provided by the Parent Group includes the funding of classroom assistants and other building support staff at the School, such as recess monitors and crossing guards. The Parent Group establishes a personal services contract with these individuals, which are hired and compensated through the Parent Group.

The classroom assistants may work in multiple classrooms at the School and provide support with administrative tasks or academic assistance to students. School staff members determine who they would like to serve as their classroom assistant and communicates that information to the Parent Group. The responsibilities and duties of the classroom assistants are determined by the School staff member who requested that the Parent Group hire the classroom assistant.

Based on our understanding of the Parent Group's hiring process, and the roles and responsibilities of the classroom assistants, we noted the following concerns that may pose a risk to the District:

- Classroom assistants are compensated as independent contractors; however, they are only required to complete the District's volunteer background check. Classroom assistants work in close proximity with students throughout the school day, but they do not undergo the same fingerprinting background check required for District employees. The lack of an appropriate background check could put the safety and security of the School's students at risk and expose the District to possible litigation and reputational damage.
- The classroom assistants receive compensation to provide services in a District school, but neither the individual assistants, nor the Parent Group providing the compensation, have an agreement with the District outlining the services to be provided. Anyone providing services in a District school should be a volunteer, an employee, or under contract with the District.
- The Parent Group's personal services contract identifies the Parent Group as the "School" and requires either the signature of the Parent Group Chair or School Principal. This gives the appearance that the contract is with the School rather than the Parent Group. This could subject the District to liability if a classroom assistant suffered an accident or experienced a contract dispute.
- The contract between the Parent Group and the classroom assistants does not detail the specific duties that the independent contractors will provide. The responsibilities and duties are instead determined by the applicable School staff member that is assigned a classroom assistant. This puts the District at risk of having an outside contractor provide services that should be performed by one of the District's union-represented labor partners. This could result in the displacement of a District employee and a grievance filed against the District.

The Parent Group has recently initiated the process to transition classroom assistants from independent contractors of the Parent Group to employees of the District. The Parent Group plans



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to provide funding to the District so that the classroom assistants can be hired through the District's normal process for site-based hourly employees.

Recommendation

We recommend that the District's Human Resources, Budget, Payroll, and Grants Departments continue to work with the Parent Group to transition the classroom assistants from independent contractors of the Parent Group to employees of the District. This transition should include procedures to address the following items:

- The classroom assistants should receive appropriate background checks prior to performing any assigned duties.
- Any individuals known to be receiving compensation for providing services in a District school should be hired as a District employee, subject to all rules governing such employees, or pursuant to a personal services contract with the individual or through an approved organization.
- The specific duties and responsibilities of the classroom assistants should be adequately documented to ensure that they do not include functions that should be provided by one of the District's represented labor partners.

The School should also work with the Parent Group to ensure that the Parent Group's contract documents do not give the impression that they are contracting on behalf of the School.



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6) Parent Group Bookkeeping

A District employee at the School is also employed by the Parent Group as its primary Bookkeeper. This individual is employed by the District as a Nutrition Services employee whose responsibilities include accounting for District funds collected in the cafeteria. As the Bookkeeper for the Parent Group this individual's responsibilities include:

- Collecting Parent Group funds. This includes items such as fundraisers and classroom fees. (See finding #4 above for more information on classroom fees.) Funds may be received directly from families or teachers, or they may be retrieved from a locked box in the main office that can only be opened by the Parent Group and the Bookkeeper.
- Disbursing Parent Group funds. The Bookkeeper is an authorized signer on the Parent Group's checking account and is responsible for writing checks to pay for Parent Group expenses. Parent Group disbursements include checks written to teachers for reimbursements of items covered by the classroom fees, reimbursements to the School for field trip transportation fees, and payments to cover funding of staff positions supported by the Parent Group, as well as for the independent contractors working for the Parent Group.
- Accounting for the time worked by the independent contractors hired by the Parent Group. (See finding #5 above for more information on classroom assistants and building support staff.) This includes the time worked by the classroom assistants, as well as the Bookkeeper's own time.

The Parent Group bookkeeping duties are performed at the School and take place during and outside of the official school day. The Bookkeeper's office is located on the School's campus and is used to conduct Parent Group bookkeeping, but there is no building lease or facility usage permit to indicate that the space is being used by the Parent Group. The Bookkeeper also uses a District email account to communicate items related to Parent Group finances. Having the Parent Group Bookkeeper, who is also a Nutrition Services employee at the School, conduct Parent Group transactions on School property, during normal school hours, with a District email address, gives the impression that the Parent Group bookkeeping is a School activity, rather than a Parent Group activity. If funds are received on District property, by a District employee, then they must be accounted for as public funds. To avoid the appearance that Parent Group funds are public money, all Parent Group bookkeeping functions should be conducted off District property. Removing the bookkeeping function from School property will also reduce the risk of commingling District funds with Parent Group funds. Since the Parent Group Bookkeeper is also a District Nutrition Services employee responsible for cafeteria funds, there is a risk of commingling funds.

The Bookkeeper conducts the Parent Group bookkeeping function outside of the employee's assigned working hours as a District employee; however, this is difficult to regularly monitor. As a Nutrition Services employee, this individual reports to a supervisor within the District's central Nutrition Services Department, and not to the School Principal. As such, this individual's activities are not monitored daily to ensure that the Parent Group bookkeeping function is not being



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conducted on District time. While we are not aware of any overlapping of hours, the lack of monitoring increases the risk that the Parent Group bookkeeping function will be conducted during the time that the employee should be performing their District function, or that time spent on bookkeeping will coincide with time charged to the District.

Recommendation

We recommend that the District prohibit the Parent Group from conducting its bookkeeping function on School property. The Bookkeeper should refrain from using District resources, such as school facilities or District email to conduct Parent Group business. The Parent Group may retain their lock box at the School, but families should place their funds in the lock box directly and School staff should not handle any Parent Group funds. School staff should not have access to the lock box, and the Parent Group should immediately remove the funds from the School when the lock box is opened.

We also recommend that the District's central administration review its internal controls to ensure that Nutrition Services employees assigned to schools are properly supervised to ensure that time charged to the District is only dedicated to District responsibilities.



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7) Field Trips

The School provides an alternative, creative approach to learning and engages students in exploration and discovery through expeditionary learning. As part of this curriculum, the teachers at Thornton Creek Elementary School organize a substantial amount of field trips throughout the year compared to other traditional schools. We evaluated a sample of these trips to determine whether they were properly documented, approved in advance, and supervised by qualified chaperones.

We noted the following concerns related to the documentation of field trips:

- Field trip procedure checklists required by District procedures were not completed for any field trips. These checklists outline required field trip policies and procedures that must be followed.
- Field trip request were not always submitted for the Principal's review in a timely manner or signed to indicate the Principal's approval.
- Trip supervision plans were not always kept on-file, submitted for the Principal's review in a timely manner, dated to indicate when it was reviewed by the Principal, or signed to indicate the Principal's approval.
- Trip supervision plans do not always fully address each required element of the plan. For example, there did not appear to be details about which designated chaperones would monitor sets of students, or how students will be monitored when activities are not planned during the day, evening, and overnight.

Recommendation

We recommend that the School establish effective internal controls to support its expeditionary learning model while ensuring compliance with all District policies and procedures related to field trips. The School should ensure that required field trip forms are properly completed, submitted for review in a timely manner, pre-approved by the Principal, and maintained in the main office.



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8) Gift Cards

The Parent Group conducts a fundraiser where they generate funds by selling discounted gift cards. Many families will purchase gift cards through this fundraiser and donate them to the School. We learned that many of the donated gift cards are intended to support the School's students and families that may be experiencing a financial need.

Once gifts card donations are accepted by the School, they become District property and must be used for a District purpose. During the 2017-2018 school year, the School collected and distributed approximately \$2,500 in gift cards among the various families seeking assistance. Although the School appears to be safeguarding and monitoring the collection and distribution of the gift cards, this practice could be construed as a gift of public funds.

The District has established programs, such as McKinney-Vento and Family Support Programs that link District families to available community resources and may provide some assistance through gift cards for students and their families experiencing homelessness or other circumstances that require basic supports, such as food and clothing. However, this practice is not normally handled by individual schools and we noted that the District does not have any guidance on how schools should account for donated gift cards. Although the District has developed written guidance prohibiting the purchase of gift cards, it has not developed written guidance on how donated gift cards should be solicited, controlled, monitored, and documented to ensure that they are used for a valid public purpose.

Recommendation

We recommend that the District's central administration create and distribute written guidance on how donated gift cards should be solicited, controlled, monitored, and documented to ensure that they are used for a valid public purpose. The School should work closely with the District's central administration to ensure that it is properly soliciting and accounting for donated gift cards.



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Management Response

Seattle Public Schools central office leadership and Thornton Creek leadership appreciate the feedback which was provided in regard to Thornton Creek Elementary regarding some of the processes and procedures as they relate to the audited areas. Central office leadership along with Thornton Creek leadership staff, will be working with the administrative staff, teachers and impacted community members to address the areas highlighted based on the findings. We are confident that we will be able to develop a strong corrective action plan and implement it in a timely manner.