



Seattle Public Schools The Office of Internal Audit

**Internal Audit Follow-up Report
Washington Middle School**

Issue Date: December 17, 2013



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BACKGROUND

On June 12, 2012, the Office of Internal Audit issued an audit report for Washington Middle School as part of an evaluation of the district's overall system of internal controls. School audits assist in determining whether key internal control and compliance functions are being performed and whether schools have clear guidance and adequate resources to perform their functions.

In accordance with the 2012-2013 *Annual Risk Assessment and Audit Plan*, we have completed a follow-up review at Washington Middle School. The purpose of a follow-up review is to assess the status of corrective action taken in response to prior audit findings. This report focuses on findings from the June 12, 2012 audit report, which contained nine recommendations for Washington and six recommendations for the district.

ROLES AND RESPONSIBILITIES

District management is responsible for follow-up and corrective action to address audit findings. To fulfill this responsibility, the district has a process in place, as well as designated staff, to track the status of audit recommendations and ensure that audit issues are resolved.

APPROACH AND METHODOLOGY

Internal audit reports include responses from the audited school or department. These responses typically include information about management's concurrence with the findings as well as corrective actions taken or planned to resolve the issues. Some important points to consider regarding corrective actions are as follows:

- Audited schools coordinate with an audit response team to develop their corrective action plans.
- Some corrective actions may take considerable time to fully implement, and some may require the effort of multiple departments.
- For some audit findings, district management may decide to assume the risk rather than try to mitigate it. If, in the judgment of management, the benefits of corrective actions do not outweigh the costs, this may be a reasonable approach. However, if Internal Audit's view is that this approach would subject the district to serious risk, we would report this to the Audit & Finance Committee for resolution.

REPORT FORMAT

We consider an issue resolved if Internal Audit's recommendation has been implemented or if some other action that resolves the issue has been taken. This report contains the original finding, recommendation, management response, and status of corrective action taken for all



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issues we found to be unresolved at the time of the follow-up review. Our initial report dated June 12, 2012 can be found on the district's website.

RESULTS

Except for the following issues, we found that corrective actions sufficient to address the findings from the 2012 audit have been taken:

Cash Handling and Receipting Procedures– Washington Middle School

Finding: Funds are not always deposited into a district bank account within one day of being collected.

Recommendation: Deposit all funds into the district's bank account within one day of being collected, as required by RCW 43.09.240.

School's Response: We will train our head secretary and one administrator how to do receipts, deposits, etc. in the event our fiscal specialist is out for an extended time, or an emergency deposit is necessary.

Status: **Unresolved** - During the summer of 2013, Washington staff collected book fines, wrote receipts, and kept the funds in the safe. The funds were not deposited, however, until September when the fiscal specialist returned. This does not comply with state law or district procedures.

RCW 43.09.240 Local government accounting — Public officers and employees — Duty to account and report — Removal from office — Deposit of collections

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours.

District General Fund Cash Handling Administrative Procedure

All collections are to be deposited intact daily to the school district depository account.

District ASB Administrative Procedure

All money collected must be deposited intact daily to the district's designated depository account. Intact means total cash received must match total cash deposited and total checks received must match total checks deposited. The two (2) methods for making a deposit are:

- 1. Via the district's mail courier in a "red" money bag. Make sure the bag is numbered, logged, and signed for when picked up.*
- 2. In person at a bank. Deposit slip must be scanned by the teller and receipt obtained.*



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Cash Handling and Receipting Procedures – District

Finding: During the course of the audit we identified numerous concerns related to cash handling and receipting.

Recommendation: We recommend specific changes to strengthen the cash handling and receipting language in the *ASB Procedures Manual*.

District's Response: The Finance Department concurs with the findings and will enhance the *ASB Procedures Manual* and "General Fund Cash Handling Procedures" to provide better guidance to our schools.

Status: **Unresolved** – As of October 2013, revisions to the *ASB Procedures Manual* are not complete.

Student Store Change Fund - District

Finding: The student store change fund was established with personal funds provided by the Fiscal Specialist.

Recommendation: We recommend that the district make specific changes to the *ASB Procedures Manual* regarding change funds that will reduce the risk of loss and abuse of district funds.

District's Response: The Finance Department concurs with the findings and will enhance the *ASB Procedures Manual* and "General Fund Cash Handling Procedures" to provide better guidance to our schools.

Status: **Unresolved** – As of October 2013, revisions to the *ASB Procedures Manual* are not complete.

CONCLUSION

Washington Middle School has made significant improvements in cash handling since the June 2012 audit. However, it is important that Washington comply with RCW 43.09.240 and district procedures and deposit all funds received "once every twenty-four consecutive hours." To assist the schools in their efforts to improve cash handling, the district should revise the *ASB Procedures Manual*, communicate the revisions to the schools, and ensure that only the revised version of the manual is available as guidance to fiscal staff.



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Management Response

Re: Response to the Unresolved portion of the "Washington Middle School Follow up Audit"

Washington Middle School has undergone several staff changes since the initial audit and follow up. I was assigned as interim principal as of October 1, 2013 and two Fiscal Specialists have left the position, most recently on November 15, 2013.

Our head secretary is trained and is following the prescribed procedures for the deposit and receipting of cash while our Fiscal Specialist position is unfilled. In the event of her absence, I am able to assume that responsibility. Once the new Fiscal Specialist is in place, the head secretary will receive funds and follow the procedures in the event the Fiscal Specialist is not available. If both of them are unavailable, the principal or designee will follow the procedure.

We anticipate hiring a new Fiscal Specialist within the next week, who will receive specific training in this and all other legal responsibilities associated with the position.

*Patricia Guenther
Principal
Washington Middle School*