



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

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**Internal Audit Report  
Ingraham High School**

**May 1, 2012 through December 31, 2012**

Issue Date: March 19, 2013



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## **Executive Summary**

### **Background**

We completed an audit at Ingraham High School for the period May 1, 2012 through December 31, 2012. Although Ingraham 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 11, 2012. 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
- Risk Management
- Facility Usage
- Loss Reporting

### **Scope of the Audit**

May 1, 2012 through December 31, 2012



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## **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**

We applaud Ingraham High School for receipting funds as soon as they are received into the fiscal office, for preparing bank deposits in a timely manner, and for accounting for all receipt numbers issued to the school. 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 applicable to both the school and central administration, that are intended to improve the overall accountability and transparency of the objective areas.

We extend our appreciation to the staff at Ingraham 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) ASB Budget and Preapprovals**

The school only completed a summarized ASB budget for the whole school, and did not prepare individual activity budgets for each ASB activity included in its ASB budget. Furthermore, the school is not documenting preapproval of all fundraising efforts on the required “ASB Activity Approval and Reconciliation Form.”

#### **Recommendation**

We recommend that the school prepare individual activity budgets in accordance with the District’s *ASB Procedures Manual* and the WASBO *ASB Procedures Manual*. We also recommend that the school use the “ASB Activity Approval and Reconciliation Form” to pre-approve and reconcile all ASB activities occurring at the school.

### **2) ASB Mileage Reimbursement**

We noted a reimbursement from the ASB imprest fund checking account to reimburse an employee’s fuel expense for local travel. The *ASB Procedures Manual* states that the ASB imprest fund checking account is not to be used for mileage reimbursements. The District has an administrative procedure entitled “Travel Procedures” that details how local travel is to be reimbursed. This procedure is considered to apply to all District travel, including ASB funded mileage reimbursements.

#### **Recommendation**

We recommend that the school follow the District’s administrative procedure for travel when reimbursing local travel expenses. If the District decides that it wants to have separate travel procedures for ASB funded travel, then this should be clearly indicated in both the *ASB Procedures Manual* and the administrative procedure entitled “Travel Procedures.”

### **3) Ethics Hotline**

The District has an Ethics Complaint Form and an ethics hotline that employees can use to report suspected misconduct and unethical behavior; however, the District does not adequately publicize the availability of this resource. Three school employees were asked to find the phone number to the District’s ethics hotline, but none were able to do so in less than five minutes. During the course of this audit another school district employee telephoned the Office of Internal Audit requesting the ethics hotline number because she was unable to find it on the District’s website. Most employees searched for the word “whistleblower” rather than the word “ethics” when they tried to find the phone number. We also took a tour of the school and could not find any literature or posters advertising the hotline.



## **Recommendation**

We recommend that the District take steps to increase awareness of the ethics hotline, and make it easier for employees to find the number on the District's websites.

### **4) Activity Advisors and Coaches**

During the course of our audit we became aware of the following fiscal irregularities and instances of noncompliance associated with certain ASB activities:

- Activity advisors and coaches who do not deposit funds within 24 hours of receipt.
- Missing copies of voided receipts. (All three copies of a receipt must be maintained anytime a receipt is voided.)
- Deposits that do not reconcile to supplemental records maintained by the club/team.
- Clubs and teams that do not have adequate funds to pay their expenses.

Although each of these items could be indicative of serious fiscal mismanagement, a more detailed investigation would be required to determine if an actual loss of funds has occurred. Such an investigation is beyond the scope of this audit; however, we are not aware of any loss of funds at this time.

## **Recommendation**

We recommend that the school's activity advisors and coaches receive additional training on the proper procedures associated with ASB activities. We also recommend that the District review the detail associated with these concerns and determine if additional follow up is necessary.

### **5) Investigation Procedures and Responsibilities**

The District does not have policies or procedures detailing who is responsible for conducting investigations related to fiscal irregularities and instances of noncompliance. The *ASB Procedures Manual* designates responsibilities to the students and employees involved with ASB activity, but it does not specifically assign any of them the responsibility to follow up on discrepancies or conduct investigations. Discussions with the school's Fiscal Specialist, Activity Coordinator, and Principal, revealed that they do not have a clear understanding of what role they should take when fiscal irregularities and instances of noncompliance are discovered.

## **Recommendation**

We recommend that the District assign clear responsibility to ensure that any fiscal irregularities and instances of noncompliance are adequately researched and resolved. Specifically, the responsibilities of each person associated with the ASB should be updated in the *ASB Procedures Manual* to clearly identify what role each person should take in following up on fiscal irregularities and instances of non-compliance.



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The concerns noted in this audit are specific to the ASB; however, it is possible that these same types of fiscal irregularities and instances of non-compliance could also occur in the general fund. Thus, written procedures should be developed to ensure that all fiscal irregularities and instances of non-compliance are adequately investigated, regardless of which fund they are associated with.



## **Management Responses**

### **Response Received from Ingraham High School**

*The Ingraham High School community appreciates the thorough audit performed by Mr. Medina. We are pleased that Mr. Medina found, with a few exceptions, adequate controls in each of the objective areas.*

*To address the cited issues, school personnel will do the following:*

#### *ASB Budget and Preapprovals*

- *Ensure that each activity will prepare individual budgets in accordance with the District's ASB Procedures Manual and the WASBO ASB Procedures Manual. The clubs will also complete the "ASB Activity Approval and Reconciliation Form" for each activity.*

#### *ASB Mileage Reimbursement*

- *Follow the District's procedures for travel reimbursement.*

#### *Ethics Hotline*

- *Clearly post the process and procedures for contacting the Ethics Hotline.*

#### *Fiscal Investigations*

- *Clarify with central administration the process and procedures for investigating fiscal irregularities.*
- *Address the fiscal irregularities that have been identified with the any specific staff members.*

*Martin Floe  
Principal, Ingraham High School*



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**Response Received from central administration**

*Central administration concurs with the findings and will work with Ingraham High School as they take corrective actions on their audit issues. The District puts a high priority to ensuring that employees are aware of our ethics hotline. In the fall, the Superintendent sent out an email to all employees to increase awareness of the ethics hotline. Ingraham High School forwarded the email to all school staff as well as posted the information in their staff room while the District made changes to its website to make the Whistleblower Policy and ethics hotline easier to find. The District will continue working to further bring awareness of the ethics hotline.*

*Central administration will create administrative procedures to ensure that fiscal irregularities and instances of noncompliance, such as the instances involving activity advisors and coaches, are adequately researched and resolved.*