

Washington State Auditor's Office
Accountability Audit Report

Seattle School District No. 1
King County

Report Date
June 27, 2012

Report No. 1007982

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WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

July 2, 2012

Board of Directors
Seattle School District No. 1
Seattle, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Seattle School District No. 1's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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King County
June 27, 2012**

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Audit Summary

Seattle School District No. 1 King County June 27, 2012

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Seattle School District No. 1 from September 1, 2010 through August 31, 2011.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Alternative Learning Experience
- Human Resources
- Safeguarding of public assets
- Payroll
- Fleet management
- Lease and rental revenues
- Cost allocation plans
- Use of restricted funds
- Collections of delinquent accounts
- Associated Student Body

RESULTS

We identified conditions significant enough to report as findings:

- The District charged salaries in the incorrect program or fund, resulting in ineligible capital expenditures and an increased risk of inappropriate special education funding.
- The District management does not adequately monitor fleet purchases, vehicle use, fuel card use and inventory procedures to ensure state law and District policies are followed, resulting in misuse by employees.
- The District lacks adequate controls over its assets, placing them at risk of misappropriation.
- The District lacks adequate internal controls to manage maintenance tools and equipment, resulting in a \$4,916 gift of public funds.

We also noted certain matters that we communicated to District management. We appreciate the District's commitment to resolving those matters.

Related Reports

Seattle School District No. 1 King County June 27, 2012

FINANCIAL

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the District's financial statements.

FEDERAL GRANT PROGRAMS

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report. That report includes federal findings regarding:

- The District's internal controls continue to be inadequate to ensure compliance with eligibility requirements for its Indian Education program.
- The District did not comply with federal requirements for time and effort documentation related to its Special Education, Title I, Fund for the Improvement of Education and Education Technology State Grants programs.
- The District did not have adequate internal controls to ensure compliance with federal earmarking requirements related to its Title I program.

Description of the District

Seattle School District No. 1 King County June 27, 2012

ABOUT THE DISTRICT

Seattle School District No. 1 serves more than 47,000 students in 12 high schools, nine middle schools, 10 kindergarten through eighth grade schools, 55 elementary schools, and 10 non-traditional schools and programs. District activities are monitored by an elected, seven-member Board of Directors. The Board oversees the governance of the District and appoints a Superintendent to oversee District operations. The District had operating budgets of \$567 million for the 2010-2011 school year and \$558 million for the 2009-2010 school year.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Directors:

District 1	Peter Maier
District 2	Sherry Carr
District 3	Harium Martin-Morris
District 4	Michael DeBell
District 5	Kay Smith-Blum
District 6	Steve Sundquist
District 7	Betty Patu

APPOINTED OFFICIALS

Interim Superintendent	Susan Enfield
Interim Chief Academic Officer	Cathy Thompson
Executive Finance Director	Duggan Harman
Acting General Counsel	Ron English
Accounting Manager	Kathie Technow

DISTRICT CONTACT INFORMATION

Address: Seattle School District No. 1
MS 33-343
P.O. Box 34165
Seattle, WA 98124-1165

Phone: (206) 252-0086

Website: www.seattleschools.org

AUDIT HISTORY

We audit the District annually. The past six audits reported the following:

- In the 2005 audit, we reported two findings. Cash receipts were misappropriated or lost at three schools. Associated Student Body public money was inappropriately deposited in private bank accounts.
- In the 2006 audit, we reported two findings. Internal controls over payroll were inadequate, resulting in misappropriated public funds and questionable payments. Internal controls over enrollment reporting were inadequate.
- In the 2007 audit, we reported four findings, two of which were in the report of financial statements and federal single audit. Internal controls over payroll continued to be inadequate and, as a result, public funds were misappropriated. Associated Student Body funds were spent for unallowable purposes and processed in violation of District policies. Unallowable expenditures occurred and the District lacked internal controls to ensure compliance with reporting requirements for the Gear-Up grant, which was designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education.
- In the 2008 audit, we reported six findings, four of which were in the report of financial statements and federal single audit. Internal controls over financial statement preparation and payroll processing continued to be inadequate; as a result, the financial statements contained errors and public funds were misappropriated. We also reported findings for failing to report all known or suspected losses to the State Auditor's Office and incorrectly reporting teacher education and experience.
- In the 2009 audit, we reported 12 findings, seven of which were in the report of financial statements and federal single audit. Internal controls over financial statement preparation and payroll continued to be inadequate; as a result, the financial statements contained errors and public funds were misappropriated. We also reported findings for failing to report all known or suspected losses to the State Auditor's Office, using capital funds for unallowable expenditures and for failing to implement sufficient policies and controls to ensure the District is complying with state law and its own policies.

- In the 2010 audit, we reported seven findings, three of which were in the report of financial statements and federal single audit. We reported findings for not establishing sufficient policies and controls for the Science, Technology, Engineering and Math (STEM) computer program to ensure laptops issued to students are safeguarded, paying \$36,000 for charges that were unsupported, overbilled, and outside the scope of a contract, and inadequate internal controls over Associated Student Body activities.

Schedule of Audit Findings and Responses

Seattle School District No. 1 King County June 27, 2012

1. **The District charged salaries in the incorrect program or fund resulting in ineligible capital expenditures and an increased risk of inappropriate special education funding.**

In eight of the last nine audits, we reported internal control weaknesses in how the District accounts for its payroll expenditures. As evidenced by the results of this year's audit, the District continues to inaccurately account for payroll expenditures.

Capital Projects Fund

The District charged approximately \$6.5 million in salaries and benefits to the Capital Projects Fund. The District can charge employee salaries and direct expenditures to that fund if those employees are hired or assigned to the planning or construction management of capital projects. The District may split salaries of employees between the General Fund and the Capital Projects Fund by percentage of time worked.

We obtained a list of employees whose salaries and benefits were charged to the Capital Projects Fund. We identified 59 positions that the District could have charged to the incorrect fund. We found the District does not have documentation to support salary percentages charged to the Capital Projects Fund. We also found salaries for several staff positions charged to the fund that does not appear to benefit capital projects. For example, the District charged the property manager's, computer maintenance staff and 50 percent of a nurse's salary to the Capital Projects Fund.

The District did not monitor salary amounts charged to the Capital Projects Fund to ensure the allocation was correct and all charges were allowable. Thus, there is a risk that the District is using restricted funds for unallowable purposes.

State Special Education Program

The District spent approximately \$48 million in state special education funds in the 2010-2011 school year on teacher salaries. State special education funds are used to ensure a free, appropriate public education is available to children with disabilities.

A citizen contacted our Office with a concern about possible misuse of special education funds. We selected six high schools, four middle schools and two kindergarten through grade 8 schools for review based on schools identified in the citizen concern and schools with the largest state special education budgets. We identified employees at these schools paid with state special education funds to determine if they were teaching special education or general education courses.

We determined salaries and benefits were charged to the correct program except for Ballard High School. We identified four teachers at Ballard High School whose full salaries were charged to the state special education program when they taught approximately one-half special education courses and one-half general education courses. The District should have recorded 50 percent of these salaries in the state special education program instead of 100 percent.

The District's incorrect reporting of special education expenditures can result in inappropriate funding received for special education.

We recommend the District allocate expenses correctly for employees, splitting their salaries between two funds, and ensure that salaries charged to the Capital Projects Fund are only for allowable job positions. We further recommend the District record salaries in the correct program.

When performing our audit we considered the following requirements:

Accounting Manual for School Districts FY 2010-2011, Chapter 9 – Information Unique to Each Fund

RCW 28A.505.090 - Budget –format, classifications, mandatory

WAC 392-123-010 – The accounting manual

The District provides the following information related to the findings of this audit:

The District concurs with this finding.

The District will add a step to its annual budget development process wherein finance staff will review for eligibility the list of employees proposed to be charged to the Capital Project Fund. In addition, the District will maintain documentation to support salary percentages charged to the Capital Projects fund.

The District spends over \$16 million of local levy proceeds in addition to state special purpose funds to support Special Education services. However, we understand that accuracy of our financial records are required and an important part of running our District. We will continue to monitor and partner with the Special Education department and school staff to ensure that salaries are recorded in the correct program.

Schedule of Audit Findings and Responses

Seattle School District No. 1 King County June 27, 2012

2. **The District management does not adequately monitor fleet purchases, vehicle use, fuel card use and inventory procedures to ensure state law and District policies are followed resulting in misuse by employees.**

The District has 297 vehicles in its fleet. These vehicles are used for the Traffic Education program, deliveries, maintenance, general transportation, environmental services, and by buildings and grounds staff, among other uses. We reviewed the District's procedures for purchasing vehicles, vehicle use, fuel card use and fleet inventory. Related to these areas, we found:

Grant Funded Vehicle Purchase

A manager of international education disregarded District purchasing procedures and used \$5,000 in private grant money to purchase a vehicle for a private individual. Through the grant, the individual for whom the car was purchased provides Chinese language services to the University of Washington. This individual has the title to the vehicle and the District has not limited use of the vehicle to grant-related services. The District does not have the legal authority to make such a purchase; the expenditure is a gift of public funds.

Vehicle Use

We randomly selected and reviewed the use of five District fleet vehicles and found the use of three did not comply with District policies. The drivers did not maintain vehicle mileage logs and drivers did not sign the required vehicle use agreement which shows the employee understands the condition of usage. Additionally, we found the District provided a vehicle to an employee for personal use. District policies prohibit personal use of District vehicles.

Fuel Card Use

The District incurred approximately \$800,000 in fuel costs during the 2010-2011 school year. We examined fuel card purchases and noted the District does not provide any oversight to ensure employees are following fuel card policies and procedures. Specifically:

- Accounts payable issues payments for some fuel card invoices without approval by department managers.
- Supervisors are not monitoring fuel card purchases for reasonableness.
- Employees are not accurately entering the vehicle's mileage at the time of fill up, which is required by District policies.

We reported weaknesses in the District's internal controls over fuel card use in our audit of the 2008-2009 school year. These weaknesses have not been resolved.

Fleet Inventory

We determined the District does not perform inventory procedures to account for the fleet as required by state law and District policy or to ensure vehicles it purchases are added to the inventory. As a result, the District is unable to ensure it safeguards public resources. Additionally, Traffic Education's 31 vehicles are not marked with the District's logo when added to the fleet inventory as required by state law and District policy.

We recommend the District establish procedures for increased management oversight to ensure:

- Vehicle purchases are in accordance with state law and District policies.
- All vehicles purchased are properly titled, identified and used.
- Employees follow fuel card use policies and procedures.
- Procedures are established to monitor fuel card use for reasonableness and payment is not made without appropriate approvals.
- Employees are held accountable for not complying with District policies and procedures.

When performing our audit we considered the following requirements:

State of Washington Constitution:

Article VIII, Section 7

No county, city, town, or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any-association, company or corporation.

RCW 46.08.065 - Publicly owned vehicles to be marked

Accounting Manual for Public School Districts in the State of Washington:
Chapter 3- Accounting Guidelines, Internal Control Structure, pages 3-1 through 3-3.

School Board Policy # 6640 – District Owned Vehicles

Facilities Services Policies and Procedures # F08-07 – District Vehicle Use Standards

District Vehicle Conditions of Use Agreement

The District provides the following information related to the findings of this audit:

The District concurs with this finding. The District made improvements in certain departments called out by past audits; however, we have not implemented a district-wide solution to the fleet management issue due to resource constraints.

The management and administration of the district fleet will be centralized with a focus on enhancing internal controls surrounding the procurement of vehicles, monitoring and tracking the fleet inventory and the use of fuel cards. In addition, the district will be discontinuing the Traffic Education Program on August 31 and the vehicles used for this program will be repurposed and/or surplused compliant with Board policies and procedures.

Schedule of Audit Findings and Responses

Seattle School District No. 1 King County June 27, 2012

3. **The District lacks adequate controls over its assets, placing them at risk of misappropriation.**

The District owns 45,269 assets consisting primarily of communications equipment, laptops, and personal computers. The District employs one fixed asset accountant whose responsibilities include:

- Performing physical inventory of all assets throughout 147 locations.
- Ensuring all new assets are entered into fixed asset database and tagged with a bar code label.
- Surplusing assets that no longer are in use.
- Updating the fixed asset database when assets are moved to a different location.

We reviewed the District's physical inventory, data entry and the accuracy of the asset list. We found controls over inventory procedures were inadequate. For example, we reviewed the District's October 2011 inventory at the John Stanford Center for Educational Excellence building and maintenance shops. The inventory found 907 missing assets. The District did not perform any follow-up to locate these missing assets until March 2012, as a result of our audit procedures.

Also, the District is not holding staff accountable for assets assigned to their care. For example, we reviewed the most recent physical inventory at Aki Karose Middle School on February 9, 2010, which found 77 missing assets. The fixed asset accountant sent the Principal a Missing Property Report itemizing the missing assets, and asking the Principal to research, locate, and report on them. The Principal also needed to certify the report within 30 days. As of April 2012, none of the reports were certified. Additionally, the District did not perform follow-up to locate the assets or hold the Principal accountable for them.

Executive management does not request inventory results for each location. It appears the District does not place a priority on inventory procedures, resulting in inadequate resources allocated to safeguarding assets. Consequently, large numbers of assets are missing, the District does not follow up to locate missing items in a timely manner, and does not hold staff accountable for missing assets assigned to their care.

We identified the following concerns:

- The District has inadequate controls to ensure the accuracy of inventory procedures.

- We identified 6,964 assets for which the District did not list a dollar value in the database. Of these, 1,124 were added to the fixed asset database in 2010-2012. As a result, the District cannot accurately report the value of the assets.
- During our audit, we walked through the District's maintenance shops and parking lot and identified 20 assets to examine. We found six of these assets were taken out of service during 2000 and 2001, but had not been surplused. We found no procedures to ensure they are safeguarded until surplused.
- From January 2009 through January 2012, District staff removed 1,078 assets from the asset list when they could not be located during an inventory.
- The District has inadequate controls to ensure the safeguarding of assets. We identified the following internal control deficiencies:
 - Assets removed from the database may still be in use. The District has no procedures to account for assets with a "removed" status.
 - District staff might find missing assets during a later inventory check. However, the fixed assets accountant does not visually confirm the existence of the asset, but will update the database from "missing" to "located".
 - District personnel do not always follow procedures to notify the fixed asset accountant of changes. Therefore, the District cannot track assets whose location has changed.
 - District staff share logon credentials for the asset tracking software. Thus, the District would be unable to determine responsibility for any alterations of the database.
 - The District does not have adequate internal controls to ensure the required inventory of federally funded assets occurs every two years.

The District also lacks formal policies and procedures to ensure employees return District assets when leaving District employment. For example, we discovered a Principal left District employment and did not return a District-owned iPad.

To ensure the safeguarding of public resources we recommend the District:

- Establish and monitor inventory procedures that hold staff accountable for missing assets.
- Follow existing fixed asset and surplus procedures.
- Perform inventory procedures for items until removed from District operations.
- Establish and monitor a policy that ensures the removal or retirement of an asset from the fixed asset database is not done until the asset's removal from District operations.

When performing our audit we considered the following requirements:

Accounting Manual for Public School Districts in the State of Washington:
Chapter 3- Accounting Guidelines, Loss of Public Funds, page 3-3.

Accounting Manual for Public School Districts in the State of Washington:
Chapter 1- Principles of Accounting, Donated Capital Assets, page 1-10.

Accounting Manual for Public School Districts in the State of Washington:
Chapter 3- Accounting Guidelines for Capital Assets, pages 3-16 through 3-20.

The District provides the following information related to the findings of this audit:

The District concurs with this finding. The District will examine its internal controls surrounding the safe guarding of its equipment and will make adjustments where needed to limit the risk of misappropriation.

Schedule of Audit Findings and Responses

Seattle School District No. 1 King County June 27, 2012

4. **The District lacks adequate internal controls to manage maintenance tools and equipment, resulting in a \$4,916 gift of public funds.**

The District employs approximately 112 staff members in its maintenance department. These workers are supervisors and laborers in various trades. We reviewed the District's procedures for managing tools and equipment used by these workers that do not qualify as small and attractive assets that must be recorded on inventory lists. These tools range in price up to \$1,000. Tools and equipment valued over \$1,000 are inventoried as small and attractive assets; we reviewed these items separately. We are issuing a separate finding in this report to address inventoried assets.

The District's maintenance staff uses a mixture of District and personal tools and equipment while performing District jobs. We noted the District does not have internal controls that:

- Differentiate between District's tools and equipment and personal tools of District staff.
- Ensure it purchases only needed tools.
- Ensure workers return all District tools when they leave District employment.
- Ensure former employees cannot purchase items at vendors and have them billed to the District.

During our review of inventory procedures over tools and equipment, we learned of two collective bargaining agreements between the District and machinists and auto machinists. In both, we noted a tool insurance clause that states, in part:

Each employee will be allowed a maximum of \$750 per fiscal year for replacing personal tools broken or damaged while performing District services; provided that:

- Claims will be honored only for tools which have been approved and listed on an appropriate inventory form and filed with the District.
- The maximum of \$750 per fiscal year, per employee, shall not be exceeded under any circumstances.
- Replacement tools provided shall be the property of the employee.

Tool insurance expenditures totaled \$19,338 from September 2009 to March 2012. During this time period, five of seven machinists exceeded the \$750 maximum allowed for tool replacement by a total of \$4,916. These expenditures are a gift of public funds. We also determined the remaining \$14,422 did not comply with the terms of the collective bargaining agreement. The District could not provide approved lists of personal tools. Without such lists, the District cannot ensure that tools purchased for staff members are allowable replacements.

Additionally, our review of expenditures found a former employee purchased \$387 in tools at a local vendor after his termination, and the vendor billed the District. The District lacks adequate internal controls to detect that vendors are billing it for purchases by former employees. The District did not report this incident to the police or our Office as a loss, as required by state law.

We recommend the District:

- Establish internal controls to ensure it safeguards public assets.
- Review all collective bargaining agreements to identify those with tool insurance clauses.
- Comply with all terms of those agreements regarding tool replacement.
- Comply with state law requiring it to report known or suspected losses to our Office.
- File police reports for all misappropriations of public assets.

When performing our audit we considered the following requirements:

RCW 43.09.185: Loss of public funds — Illegal activity — Report to state auditor's office.

State agencies and local governments shall immediately report to the state auditor's office known or suspected loss of public funds or assets or other illegal activity.

Accounting Manual for Public School Districts in the State of Washington: Chapter 3- Accounting Guidelines, Internal Control Structure, pages 3-1 through 3-3.

State of Washington Constitution:

Article VIII, Section 7

No county, city, town, or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any-association, company or corporation.

The District provides the following information related to the findings of this audit:

This District concurs with this finding. In the last year, the district implemented controls to improve the management of maintenance tool replacements. The district will review

all collective bargaining agreements to identify those with such insurance clauses. The two collective bargaining agreements will be in negotiation and the tool insurance clause will be evaluated to ensure that the district stays compliant with the agreement as well as the intended outcome. In addition, the district will attempt to collect funds lost where appropriate.

Status of Prior Audit Findings

Seattle School District No. 1 King County June 27, 2012

The status of findings contained in the prior years' audit reports of Seattle School District No. 1 is provided below:

1. The District's inadequate internal controls over Associated Student Body activities resulted in a loss of public funds.

Report No. 1005937, dated June 29, 2011

Background

On December 16, 2010, the District notified our Office that it found the fiscal specialist at Garfield High School had not been making deposits in a timely manner and that it was doing an internal investigation.

The District's investigation found \$6,186 collected had not been deposited in a District bank account. We reviewed the District's investigation and performed additional procedures to determine the total amount of the suspected loss.

Additionally, during the audit we identified another suspected loss of Associated Student Body (ASB) funds regarding an event at Garfield High School in which a professional basketball team ran a scrimmage at the school's gym. School staff stated 1,300 tickets were sold for \$5 each, totaling \$6,500. All proceeds from the event were supposed to be donated to the Garfield High School Foundation. The school's basketball coach instructed the fiscal specialist to deposit the money with the Foundation.

The Alliance for Education is the fiscal agent of the Garfield High School Foundation. We confirmed it did not receive any money from the school for this event. We also confirmed with the District that the money was not deposited into a District bank account. Furthermore, a charitable fundraiser must meet several requirements; otherwise, if the conditions are not met, the money becomes ASB public money and cannot be used for private purposes. We found that the conditions were not met. Therefore, the total known loss to the District from this and the loss discussed above is \$12,686 (\$6,500 plus \$6,186).

Status

The District has partially corrected the internal control weaknesses noted in this finding. The District has revised its ASB manual to include more detailed instructions and to be consistent with WASBO's ASB manual. Budgeting instructions were upgraded and training provided to school staff. Procedures training was provided to staff and students associated with ASB activities, and fiscal compliance training was provided to school leaders. These trainings will be ongoing, as the district recognizes the risks involved with large volume, small dollar transactions in a decentralized environment.

2. The District's inadequate internal controls over Associated Student Body activities puts funds at risk for loss and resulted in noncompliance with state law.

Report No. 1005937, dated June 29, 2011

Background

Associated Student Body (ASB) allows students to be involved in planning events such as dances, fundraisers, and other extra-curricular activities, with the help of faculty advisors. Students are responsible for creating budgets and managing revenues and expenditures. ASB councils at each school must pre-approve ASB events and expenditures. The District is responsible for having systems to properly safeguard public assets and that comply with state law and its own policies.

We reviewed internal controls over ASB activities and fundraisers at six high schools, one middle school and controls over payments recorded in the ASB fund. We found deficiencies in internal controls over ASB checking accounts, ASB payments, ASB meeting minutes, ASB budgets, fundraisers, yearbooks and athletic fees.

Status

The District has partially corrected the internal control weaknesses noted in this finding. The District has revised its ASB manual to include more detailed instructions and to be consistent with WASBO's ASB manual. Budgeting instructions were upgraded and training provided to school staff. Procedures training was provided to staff and students associated with ASB activities district-wide and training was provided to the entire Garfield staff at the beginning of the school year to ensure awareness for fiscal compliance.

3. The District paid \$36,000 for charges that were unsupported, overbilled and outside the scope of a contract.

Report No. 1005937, dated June 29, 2011

Background

On February 23, 2011, the State Auditor's Office issued a report on the District's Regional Small Business Development Program. The report identified that the District paid vendors \$1,519,965 for services with a questionable public purpose and \$280,005 for services it did not receive or that benefitted a private company.

After that report was issued, we asked the District if it had other contracts with vendors noted during our investigation of the small business program. We found a vendor had been paid through the small business program and had a separate, un-related \$80,000 contract for a tutoring and mentoring program at Cleveland High School. Through March 2011, the District had paid \$36,000 on this contract.

In reviewing the payments for this contract, we found an Executive Director of Education approved invoices that lacked sufficient detail to show they were for a valid District purpose; were for services within the scope of contract and were not overbillings. The Education Director also allowed the vendor to provide services before the contract was

signed and approved by all appropriate District officials. The District's Chief Financial Officer's signature is required on contracts greater than \$75,000. That did not occur until December 8, 2010, after the work had begun.

Status

The resolution of this finding is in progress. The District has developed invoicing standards and provided training to program managers and other staff who contract services so that sufficient information is provided on invoices before payment will be made. This is being implemented during fiscal year 2011-2012.

The specific contract for tutoring and mentoring at Cleveland High School was terminated because sufficient information could not be provided.

4. **The District does not have sufficient policies and controls for the Science, Technology, Engineering and Math (STEM) computer program to ensure laptops issued to students are safeguarded. The District also is not recovering the costs to replace lost or stolen laptops.**

Report No. 1005937, dated June 29, 2011

Background

The STEM computer program is a project-based learning environment at Cleveland High School which started in fiscal year 2011. During the first year, the program included ninth and tenth grade students. The District plans to include 11th graders in fiscal year 2012 and 12th graders in fiscal year 2013. The District purchased 440 laptops for approximately \$479,000 (\$1,089 each) and issued 385 computers to students during fiscal year 2011.

During the audit we found:

- Before the laptops were issued, the parent or guardian and student were required to sign a form verifying that they had read the program handbook. The handbook states that the parent/guardian and the student **could be** held responsible for the cost of repair or replacement, should the laptop be damaged or lost. However, the contract states that the parent/guardian and the student **will be** held financially responsible for the cost of repair or replacement, should the laptop be damaged or lost. The two documents are contradictory. The District makes determinations on responsibility on a case-by-case basis.
- Thirty-one laptops, totaling \$33,759 or 7 percent of the computers purchased for the program, have been reported missing. Of these, the loss of 13 laptops was not reported to our Office in a timely manner. State law requires the District to immediately report all known or suspected losses to our Office.
- Twelve of the 30 students who reported missing computers have received new ones without paying replacement costs or a deposit for the new computer. One of these students lost the second computer issued.

- District staff told us that the District does not plan to seek replacement costs from parents or students since it is paid by the company when it finds the computers.

Status

The District has corrected the control weaknesses noted in this finding. Cleveland High School staff and students were trained on safeguarding laptops. Laptops losses are infrequent in the current school year. The program handbook and contract form were revised to be consistent, so that the District is able to charge students/families for the balance of the laptop cost over the insured amount if the laptop is lost.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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