



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Office of Superintendent of Public Instruction

For the period July 1, 2014 through June 30, 2018

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**Office of the Washington State Auditor
Pat McCarthy**

January 14, 2019

Chris Reykdal, Superintendent
Office of Superintendent of Public Instruction
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Agency operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the Agency's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Audit Results.....	4
Related Reports	6
Information about the Agency	8
About the State Auditor's Office	9

AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Agency operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

About the audit

This report contains the results of our independent accountability audit of the Office of Superintendent of Public Instruction from July 1, 2014 through June 30, 2018.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the State Auditor to examine the financial affairs of all state agencies. Our audit involved performing procedures to obtain evidence about the Agency's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the years ended June 30, 2018, 2017, 2016 and 2015, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Grants – Reviewed internal controls over the grant process and performed testing on a sample of grants to determine if the Agency's internal controls were functioning as designed. Tested to ensure that grant funding is monitored and funds are used according to their stipulation and reimbursements requests are for allowable purposes.
- General Disbursements – Reviewed internal controls over general disbursements. Performed testing to ensure that disbursements are adequately monitored and payments were approved and allowable in accordance with state law.
- Procurement Cards – Reviewed internal controls over the procurement of goods and services by the Agency. Tested transactions to determine if the Agency responsibly ensured that the transactions were supported, approved and for allowable purposes.
- Payroll –Reviewed controls and tested a selection of employees to ensure that payroll is properly approved and supported. Additionally, a sample of overtime employees were test whether overtime was approved and correctly calculated.

- Hotline – A citizen hotline was received in regards to OSPI providing state cost assistance to Lake Washington School District. Met with the facilities department to gain an understanding of the process for providing cost assistance to schools. Reviewed applicable state laws and the documentation for the Lake Washington School District cost assistance to ensure the Agency complied with state law.
- Local Funds – Reviewed the internal controls over the Agency’s local funds. Reviewed supporting documentation to ensure that bank reconciliations were performed and reviewed on a timely basis, in accordance with the State Administrative and Accounting Manual (SAAM).

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit for the period ending June 30, 2018, can be found at: <http://www.sao.wa.gov/resources/Pages/AnnualReports.aspx>

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

Performance audits

Initiative 900, approved by voters in 2005, gives the State Auditor's Office the authority to conduct independent performance audits of state and local government entities. Performance audits may include objective analysis on ways to improve program performance and operations, reduce costs and identify best practices.

We issued the following separate performance audit reports, which are available on our website, <http://portal.sao.wa.gov/ReportSearch>:

- Evaluating School Responses to Notification of Student Criminal Offenses
- Alternative Learning Experience
- Leading Practices for the State's Secondary Career and Technical Education Programs
- Workforce Development: Identifying CTE Student Outcomes
- Workforce Development System: Identifying Overlap, Duplication, and Fragmentation

Special investigations

During the current audit period, the State Auditor's Office issued a report pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW). That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

During the current audit period, the State Auditor's Office issued a Citizen Hotline Report that contains the results of an investigation regarding cost assistance for the construction in the Lake Washington School District. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE AGENCY

The Office of Superintendent of Public Instruction receives and distributes federal and state education funding, supervises school district budgeting, accounting and reporting, administers teacher certification and carries out educational reforms as directed by the Legislature and Congress.

The Superintendent of Public Instruction is a statewide elected official who serves a four-year term. The Agency works closely with a number of other agencies in the administration of the state's K-12 education system. These include the 21-member Professional Educator Standards Board, which the Agency is a member of and which is responsible for the preparation and certification of educators, nine regional educational service districts, which provide cooperative and information services such as accounting and grants management to local school districts, and the state's 295 school districts that deliver educational services to approximately one million students.

The Agency is also one of 16 members of the State Board of Education, which establishes rules and guidelines in areas ranging from school system accountability and graduation requirements to school construction and school accreditation. The Agency provides accounting services for the Professional Educator Standards Board; State Board of Education; Washington State Charter School Commission; and the Financial Education Public-Private Partnership. The Agency has approximately 370 employees and biennial operating budget appropriations of approximately \$26 billion, most of which is passed on to the state's school districts and regional educational service districts.

Contact information related to this report

Address:	Office of Superintendent of Public Instruction Old Capital Bldg. P.O. Box 47200 Olympia, WA 98504-7200
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Office of Superintendent of Public Instruction at <http://portal.sao.wa.gov/ReportSearch>.

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.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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Toll-free Citizen Hotline	(866) 902-3900
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