



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Seattle School District No. 1
King County

For the period September 1, 2016 through August 31, 2017

Published May 31, 2018

Report No. 1021501





Office of the Washington State Auditor
Pat McCarthy

May 31, 2018

Board of Directors
Seattle School District No. 1
Seattle, 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 District 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 District'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
Schedule of Audit Findings and Responses.....	6
Related Reports.....	12
Information about the District.....	13
About the State Auditor's Office.....	14

AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, except as described below, District operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above and described in the attached finding, we identified areas in which the District could make improvements.

We recommended the District ensure staff in new ALE programs have the training and resources to comply with Alternative Learning Experience and enrollment regulations.

These recommendations were included with our report and in a separate communication as a finding.

As referenced above, we also noted certain matters that we communicated to District management and Board of Directors in a letter dated May 24, 2018, related to procurement through the piggybacking process. We appreciate the District's commitment to resolving those matters.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

About the audit

This report contains the results of our independent accountability audit of Seattle School District No. 1 from September 1, 2016 through August 31, 2017.

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 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the District's uses 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 year ended August 31, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance.

The following areas were examined during this audit period:

- Self-insurance- controls and compliance over health and welfare, workers compensation and unemployment compensation programs
- Fuel cards – monitoring of fuel card usage and the invoicing process
- Information Technology (IT) Access – controls over user access of the District’s system that includes all student data
- Associated Student Body (ASB) revenues – monitoring, handling and depositing of ASB revenues at four elementary schools
- Procurement – piggybacking: controls over the process of ensuring piggybacked contracts meet state law and District procurement requirements
- Procurement – personal service contracts: controls over ensuring personal service contracts are procured in accordance with District policy
- School Alternative Learning Experience (ALE) – compliance with ALE requirements
- Basic Enrollment – compliance with reporting requirements

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Seattle School District King County September 1, 2016 through August 31, 2017

2017-001 The District lacked adequate controls over enrollment reporting for its Middle College High School alternative learning experience program, resulting in overfunding of \$13,826.

Background

Alternative learning experience (ALE) is an individualized course of study that school districts may claim for basic education funding provided the district complies with state regulations.

The Office of Superintendent of Public Instruction (OSPI) establishes the rules and provides instructions for reporting ALE enrollment for state funding.

OSPI rules require the District to identify within the written student learning plan (WSLP) the number of hours each student will participate in learning activities. Districts use the hours identified in the plans to report students for funding. Plans must identify beginning and ending dates, and funding may not be claimed outside of those dates. Certificated staff must sign and date WSLPs as evidence of plan approval. Student progress toward planned goals must be evaluated and documented within five days of month's end. When a monthly evaluation is not conducted on time, funding may not be claimed. In addition, progress evaluations must state whether the student is making satisfactory or unsatisfactory progress. If progress is unsatisfactory, an intervention plan must be developed and documented within five days of the evaluation. Further, Districts must obtain a signed statement from each parent certifying they understand the difference between ALE and home-based instruction. Without these signed statements, the District may report these students only for the first 30 school days they are enrolled.

Description of Condition

The Middle College High School ALE program is an online and site-based program for students in grades 9-12. The program reported 95.14 annual average full-time equivalent (AAFTE) students. This was the program's first year of operation. During our audit, we found the following issues that affect funding. The District did not:

- Develop Written Student Learning Plans (WSLPs) for any students before counting students for funding in September and October. Documented class attendance was used to determine basic enrollment FTE in the first two months.
- Always support claimed FTE with documented learning hours once plans were developed for the months of November through June
- Consistently document monthly progress evaluations nor document determination of satisfactory or unsatisfactory progress
- Develop and maintain intervention plans for some months when unsatisfactory progress was indicated by grades, or in some cases did not complete intervention plan within five days of the progress evaluation
- Remove one student from enrollment count who had withdrawn from the program.
- Obtain a parent's signed statement of understanding of the difference between ALE and home-based instruction for one student who was counted each month of the school year
- Correctly report as basic enrollment, rather than ALE enrollment, courses taken at other schools when students attend more than one school or program

Cause of Condition

The District did not have internal controls in place to ensure all ALE requirements were met before reporting students for funding.

Effect of Condition

We determined the District over-reported 2.167 AAFTE students in the Middle College High School ALE program, resulting in an overfunding of \$13,826.

Recommendations

We recommend the District:

- Train staff regarding ALE program requirements to ensure compliance with reporting requirements for ALE before claiming for funding
- Develop Written Student Learning Plans approved by a certificated teacher before claiming students for ALE funding
- Calculate FTE based on the number of expected learning hours identified in WSLPs

- Perform and maintain documentation of monthly progress evaluations within five days of month's end. The documentation should identify whether the student's progress was satisfactory or unsatisfactory.
- Develop intervention plans within five days of the progress evaluation date for every month in which a student is determined to have made unsatisfactory progress
- Report FTE at the school that provides the instruction when students attend more than one school
- Work with OSPI to determine repayment to the State

District's Response

The district concurs with this finding. We are working on improving process and procedures to ensure the district is in compliance with ALE requirements.

Auditor's Remarks

We thank the District for its commitment to correcting the condition described and will review the status during our next audit.

Applicable Laws and Regulations

Washington Administrative Code 392-121-182, Alternative learning experience requirements, states in part:

(4) Alternative learning experience program requirements:

(a) Each student participating in an alternative learning experience must have a written student learning plan developed and approved by a certificated teacher that is designed to meet the student's individual educational needs. A certificated teacher must have responsibility and accountability for each course specified in the plan, including supervision and monitoring, and evaluation and documentation of the student's progress. The written student learning plan may be developed with assistance from the student, the student's parents, or other interested parties. For students whose written student learning plan includes only online courses, the written student learning plan may be developed and approved by a certificated teacher or a school-based support staff.

(b) Each student enrolled in an alternative learning experience must have one of the following methods of contact with a certificated teacher at least once a school week until the student completes all course objectives or otherwise meets the requirements of the learning plan:

- (i) Direct personal contact; or
- (ii) In-person instructional contact; or
- (iii) Synchronous digital instructional contact.

(c) The educational progress of each student enrolled in an alternative learning experience must be evaluated at least once each calendar month of enrollment by a certificated teacher or, for students whose written student learning plans include only online classes, school-based support staff in accordance with this section. The results of each evaluation must be communicated to the student or, if the student is in grades K-8, both the student and the student's parent. For students whose written student learning plan includes only online courses, a school-based support staff may communicate the progress evaluation to the student. Educational progress must be evaluated according to the following requirements:

- (i) Each student's educational progress evaluation must be based on the learning goals and performance objectives defined in the written student learning plan.

- (ii) The evaluation of satisfactory progress must be conducted in a manner consistent with school district or charter school student evaluation or grading procedures, and be based on the professional judgment of a certificated teacher.

- (iii) In the event that the monthly evaluation is not completed within the calendar month being evaluated, the evaluation must be completed within five school days of the end of the month. Districts and charter schools must not claim funding for the subsequent month for a student who was not evaluated within that time frame.

- (vii) If it is determined that the student failed to make satisfactory progress or that the student failed to follow the written student learning plan, an intervention plan must be developed for the student. An intervention plan is not required if the evaluation is delivered within the last five school days of the school year.

(6) Alternative learning experience implementation requirements:

- (j)(i) A school district or charter school that provides alternative learning experience courses or course work to a student must provide the parent(s) of the student, prior to the student's enrollment, with a description of the difference between home-based instruction pursuant to chapter 28A.200 RCW and the

enrollment option selected by the student. The parent must sign documentation attesting to his or her understanding of the difference. Such documentation must be retained by the district or charter school and made available for audit.

(ii) In the event a school district or charter school cannot locate a student's parent within three days of a student's request for enrollment in an alternative learning experience, the school district or charter school may enroll the student for a conditional period of no longer than thirty calendar days. The student must be disenrolled from the alternative learning experience if the school district or charter school does not obtain the documentation required under this subsection before the end of the thirty day conditional enrollment period.

(7) Enrollment reporting procedures: Effective the 2011-12 school year, the full-time equivalency of students enrolled in an alternative learning experience must be determined as follows:

(a) The school district or charter school must use the definition of full-time equivalent student in WAC 392-121-122 and the number of hours the student is expected to engage in learning activities as follows:

(i) On the first enrollment count date on or after the start date specified in the written student learning plan, subject to documented evidence of student participation as required by WAC 392-121-106(4), the student's full-time equivalent must be based on the estimated average weekly hours of learning activity described in the student's written student learning plan.

(ii) On any subsequent monthly count date, the student's full-time equivalent must be based on the estimated average weekly hours of learning activity described in the written student learning plan if:

(A) The student's progress evaluation conducted in the prior calendar month pursuant to subsection (4)(c) of this section indicates satisfactory progress; or

(B) The student's progress evaluation conducted in the prior calendar month pursuant to subsection (4)(c) of this section indicates a lack of satisfactory progress, and an intervention plan designed to improve student progress has been developed, documented, and implemented within five school days of the date of the prior month's progress evaluation.

(iii) On any subsequent monthly count date if an intervention plan has not been developed, documented, and implemented within five days of the prior

month's progress evaluation, the student's full-time equivalent must not be included by the school district or charter school in the subsequent month's enrollment count.

(iv) Enrollment of part-time students is subject to the provisions of RCW 28A.150.350, and generates a pro rata share of full-time funding.

(b) The enrollment count must exclude students meeting the definition of enrollment exclusions in WAC 392-121-108 or students who have not had contact with a certificated teacher for twenty consecutive school days. Any such student must not be counted as an enrolled student until the student has met with a certificated teacher and resumed participation in their alternative learning experience or is participating in another course of study as defined in WAC 392-121-107

(10) Documentation and record retention requirements: School districts and charter schools claiming state funding for alternative learning experiences must retain all documentation required in this section in accordance with established records retention schedules and must make such documentation available upon request for purposes of state monitoring and audit. School districts and charter schools must maintain the following written documentation:

(d) The written student learning plans required by subsection (4) of this section;

(e) Evidence of weekly contact required by subsection (4) of this section.

(i) For students participating in regularly scheduled classes, including in-person instructional contact and synchronous digital instructional contact, evidence may include classroom attendance records.

(ii) For students who are not participating in regularly scheduled classes, evidence of contact must include the date of the contact, the method of communication by which the contact was accomplished, and documentation to support the subject of the communication.

(f) Student progress evaluations and intervention plans required by subsection (4) of this section;

(h) Student enrollment detail substantiating full-time equivalent enrollment reported to the state; and

(i) Signed parent enrollment disclosure documents required by subsection (6)(j) of this section.

RELATED REPORTS

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. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

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 Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report includes a federal finding regarding procurement. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Special investigations

We noted certain matters that we communicated to District management in a letter dated May 24, 2018, relating to a potential loss of public funds. We appreciate the District's commitment to resolving those matters.

INFORMATION ABOUT THE DISTRICT

Seattle School District No. 1 serves more than 52,000 students and operates 11 high schools, 12 middle schools, 62 elementary schools, 10 kindergarten through eighth grade schools (K-8), eight alternative learning experience and service schools.

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 the District's operations. The District had a General Fund budget of \$789.7 million for the 2016-2017 school year.

Contact information related to this report	
Address:	Seattle School District No. 1 MS 33-343 P.O. Box 34165 Seattle, WA 98124-1165
Contact:	Amy Fleming, Director, Accounting
Telephone:	206-252-0274
Website:	www.seattleschools.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for Seattle School District No. 1 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
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov