

**SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

**Seattle School District No. 1
September 1, 2017 through August 31, 2018**

2018-001 The District did not have adequate internal controls to comply with graduation rate reporting requirements.

CFDA Number and Title:	84.010 – Title I Grants to Local Educational Agencies (LEAs)
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	0202490, 0202876, 0202550, 0261124, 0261180, 0261179, 0261181, 0261181, 0263238, 0263237
Questioned Cost Amount:	\$0

Background

During fiscal year 2018, the District spent \$10,160,805 of Title I program funds. The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families.

Federal regulations require recipients of federal awards to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

School districts must report graduation-rate data for all public high schools to the Office of Superintendent of Public Instruction (OSPI) annually. Districts do this by submitting a graduation-rate report that indicates each student’s enrollment status as graduated, transferred out (in or out of state), dropped out, migrated to another country, or deceased. The District must keep adequate support for how it classifies each student’s enrollment status. To confirm a student transferred out, the District

must have official written documentation the student enrolled in another school or an education program that culminates in the award of a regular high school diploma.

Description of Condition

The District's controls were not adequate to ensure accurate reporting of students as transferred out. Specifically, the District did not confirm that students reported as transferred out had appropriate supporting documentation before submitting the report to OSPI. Without adequate documentation, the District might not report the students as confirmed transfers.

We consider this internal control deficiency to be a material weakness.

This issue was not reported as a finding in the prior audit.

Cause of Condition

The District was aware it needed to obtain supporting transfer documents before changing the status of students; however, it did not have sufficient procedures in place to ensure all registrars from different high schools gathered and kept documentation to support the updated status.

Effect of Condition and Questioned Costs

The District did not obtain adequate official written documentation to support the transfer status for nine of 20 students tested. Because the District did not keep proper records, it did not comply with program requirements and provided inaccurate reports to OSPI. Further, the District risks incorrectly calculating graduation rates.

Recommendation

We recommend the District establish and follow controls to obtain and keep support for all students coded as transferred out before submitting the annual graduation-rate report to OSPI.

District's Response

The District concurs with this finding. We are working on improving processes and procedures to ensure the District is in compliance with high school graduation rate reporting requirements.

Auditor's Remarks

We thank the District for its response and consideration in this matter and will review the corrective action during our next regular audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, (Uniform Guidance), Section 516 – Audit findings, establishes reporting requirements for audit findings.

Title 34 CFR Part 200, *Title I – Improving the Academic Achievement of the Disadvantaged*, Subpart A – *Improving Basic Programs Operated by Local Educational Agencies*, Section 34 – High School Graduation Rates, discusses requirements for reporting cohort graduation rates and how changes in student status are classified.

Title 34 CFR Part 200, *Subpart A – Improving Basic Programs Operated by Local Educational Agencies*, Section 19 – Other academic indicators – establishes the requirement for Districts to have official written documentation to confirm a student transferred out.

Comprehensive Education Data and Research System (CEDARS) Reporting Guidance version 10.1 describes requirements for reporting cohort graduation rates and how changes in student status are classified.