

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

**Puyallup School District No. 3  
September 1, 2017 through August 31, 2018**

**2018-001 The District did not have adequate internal controls to ensure compliance with the federal Title I grant requirements for reporting the high school graduation rate.**

<b>CFDA Number and Title:</b>	84.010 – Title I Grants to Local Educational Agencies
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction (OSPI)
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$0

***Background***

The Title I program’s objective 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. During fiscal year 2017-2018, the District spent \$2,605,152 in Title I program funds.

Federal regulations require federal money recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring program controls.

Districts must report graduation rate data for all public high schools to the Office of Superintendent of Public Instruction (OSPI) annually. This is done by submitting a Graduation Rate Report that indicates the student’s enrollment status as graduated, transferred out, dropped out, migrated to another country, or deceased. The District must retain adequate support to demonstrate how it classifies a student’s enrollment status. To confirm a student transferred out, the District must have official written documentation that the student enrolled in another school or in an education program that culminates in the award of a regular high school diploma.

### ***Description of Condition***

Our audit examined the District’s documentation for students it classified as “transferred out.” The District’s controls were not adequate to ensure it correctly classified students who left the District. Specifically, the District did not obtain adequate documentation to support the transfer status of a student who left the District and enrolled in a technical college. Without this documentation, the District cannot support that the student was enrolled in an education program that culminates in the award of a high school diploma.

We consider this control deficiency to be a significant deficiency.

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

### ***Cause of Condition***

District staff were unaware of the requirement that the student must enroll in an education program that culminates in a high school diploma for the District to record the student’s status as transferred.

### ***Effect of Condition and Questioned Costs***

Of 11 transfers reviewed, one did not have proper documentation and was incorrectly classified. Because it did not keep the proper records, the District cannot ensure it provided accurate reports to OSPI. Further, the District risks incorrectly calculating graduation rates, which would violate a federal requirement.

There are no questioned costs associated with this compliance requirement.

### ***Recommendation***

We recommend the District establish adequate controls to obtain and keep documentation confirming it properly classifies students who transfer out of the District, including written notification confirming the student enrolled at a new school or education program that culminates in a high school diploma.

### ***District’s Response***

*The district concurs with the finding. However, we disagree with the assertion that the District’s controls were not adequate to ensure it correctly classified students who left the District. We provide extensive training to our office professionals and data processors in many forms and multiple sessions across the district each school year. Each office professional and data processor receives individual training related to enrollment, specifically entry/withdrawal processes, including confirmed*

*transfers. They also have access to written documentation that provides the criteria that is needed to fulfill the requirements of a confirmed transfer.*

*The District was not able to provide complete documentation for one student. In this case, an employee at the school received a call from a technical college stating the student intended to transfer. The employee noted the school and date of the phone conversation in the student information system but did not follow the District's training and instruction manuals with ensuring the request for records was received prior to changing the student's withdrawal code.*

*The District will continue to work with all schools on the proper handling of transfer requests.*

### ***Auditor's Remarks***

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next 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, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, section 303 – Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

*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.