



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

PRIDE Prep Schools

For the period September 1, 2019 through August 31, 2020

Published February 17, 2022

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

February 17, 2022

Board of Directors
PRIDE Prep Schools
Spokane, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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 Charter Public School operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Charter Public School'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 value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

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

However, we noted certain matters related to fundraising and teacher certification that we communicated to Charter Public School management and the Board of Directors in a letter dated February 1, 2022. We appreciate the Charter Public School's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the PRIDE Prep Schools from September 1, 2019 through August 31, 2020.

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 Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Charter Public School's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended August 31, 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Payroll – supplemental contracts, instructor certification, compensated absences
- Restricted funds – Professional Learning Allocation compliance and support
- Enrollment – Running Start and Basic Enrollment Student reporting
- Accounts payable disbursements – review processes and test expenditures

- Fundraising activities – review expenditures and processes
- Open public meetings – documentation of minutes, executive sessions, and expenditure approvals
- Inventory/small and attractive assets – review of asset list



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PRIDE Prep Schools

September 1, 2019 through August 31, 2020

This schedule presents the status of findings reported in prior audit periods.

Audit Period: September 1, 2017 – August 31, 2019	Report Ref. No.: 1028069	Finding Ref. No.: 2019-001
Finding Caption: Pride Prep Charter School had unclear policies and inadequate controls over payroll activities, resulting in altered documentation and miscalculated Compensated Absences.		
Background: <p>Pride Prep Charter School is a Charter Public School operating a middle and high school in Spokane. It opened in 2015. The Charter Public School operates under the Authorization of Spokane Public School District and is governed by an appointed, five-seven member board, and daily operations are overseen by the Superintendent.</p> <p>The Charter Public School's Management is responsible for designing and following internal controls that provide reasonable assurance of compliance with state laws, charter public school policies, and the safeguarding of public resources. A lack of or inadequate internal controls can hinder the Charter Public School's ability to prevent or detect misappropriation and to comply with state laws and school policies.</p> <p>During fiscal years 2018 and 2019 the school received state funding of approximately \$3 million and \$4 million respectively, a combined \$3.3 million of which was spent in payroll.</p> <p>In March 2019, the Charter Public School converted their Leave Tracking system from one software to another. The Business Manager was responsible for ensuring that leave earned and taken was calculated in compliance to Charter Public School policies and procedures and recorded accurately.</p>		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Fully Corrected </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Partially Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <ul style="list-style-type: none"> • <i>In 2020-2021 PRIDE Prep enacted a procedure requiring all employees to sign their leave report quarterly, which allows for regular reconciliation of leave.</i> 		

- *Pride further switched payroll systems and changed third-party providers. This automated, simplified and transparent system will allow easier recording and reporting of time off balances with fewer instances of manual interaction.*
- *Finally, Pride has initiated a review of the current time off policies and board review and approval of these policies. PRIDE uses WSSDA policy recommendations to ensure compliance and industry expertise.*

Audit Period: September 1, 2017 – August 31, 2019	Report Ref. No.: 1028069	Finding Ref. No.: 2019-002
Finding Caption: The Charter Public School did not comply with the Washington State Constitution to safeguard public resources, resulting in a \$4,779 loan of public funds to another Charter Public School.		
Background: Pride Prep Charter School is a Charter Public School operating a middle and high school in Spokane. In the 2018-2019 school year, the Pride Prep Charter School Superintendent was contracted 1.0 FTE at Pride Prep. During this school year, the Superintendent was also contracted by Innovation Schools, doing business as Willow Public Schools, for consulting services, and was paid \$90,000 over a six month period. There was no interlocal agreement or contract between the two charter public schools.		
Status of Corrective Action: (check one) <div> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid </div>		
Corrective Action Taken: <i>New credit card protocols were put in place in the 2019-2020 school year as the result of recommendations made by the SAO. This included an updated, more robust employee credit card use agreement and tighter controls on credit card check out. Additionally, we implemented a more stringent system for purchase approvals that requires additional signatures prior to the purchase being made.</i>		

Audit Period: September 1, 2017 – August 31, 2019	Report Ref. No.: 1028069	Finding Ref. No.: 2019-003
Finding Caption: Pride Prep Charter School has inadequate internal controls over maintenance of school records to ensure compliance with state laws, charter contract and to safeguard public resources, resulting in altered supporting documentation and unsupported payroll expenditures.		
Background: During the course of the audit, we determined records provided by the Superintendent had been altered. These records included payroll documentation for compensated absences. Also, auditors faced restricted or limited access to school staff and source documentation. During the audit period of September 1, 2017 through August 31, 2019, the charter public school received state funding totaling approximately \$7 million (\$3 million in the 2017-2018 school year and \$4 million in the 2018-2019 school year).		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>At the board level, Pride Prep will ensure diligent retention of all required board documentation. Unrestricted access to employees and third-party providers will be provided as requested in future audits.</i> <i>Pride Schools will clearly label any future source documents as “Updated” if any changes are made from the original version and communicate this to auditors.</i> <i>The PRIDE Prep Board has contracted with a third-party entity (Joule Growth Partners) to provide additional support in reviewing and presenting financial information. Joule Growth Partners has extensive experience in Chief and Director level financial leadership in the charter school sector, including experience in Washington for the duration of the charter sector. Joule will provide both transactional support and present CFO-level summaries to the board and administration on a monthly basis.</i>		

RELATED REPORTS

Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CHARTER PUBLIC SCHOOL

Pride Prep Charter School, located in Spokane County, provided educational services to approximately 553 students in grades 6-11 during the 2019-2020 school year.

The Charter Public School is a 501(c)(3) nonprofit corporation established under RCW 28A.710.020 and governed by a three- to 15-member appointed Board of Directors, that establishes policies for the Charter Public School according to the terms of a renewable, five-year charter contract executed under RCW 28A.710.160. Pride Prep is authorized by Spokane Public Schools established by a five-year contract effective July 1, 2016 and terminating June 30, 2021. The contract was renewed for a three-year period as of June 23, 2021.

The Charter public school approximately \$6 million in direct state and federal funding for fiscal year 2020. The Charter Public School operates in one building and employs approximately 75 employees.

Contact information related to this report	
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Website:	https://www.prideprepschool.org/

Information current as of report publish date.

Audit history

You can find current and past audit reports for the PRIDE Prep Schools at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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