



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Muckleshoot Indian Tribe

(Muckleshoot Tribal School)

For the period September 1, 2018 through August 31, 2021

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

May 30, 2023

Muckleshoot Tribal School
Auburn, 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 State-Tribal Education Compact Schools 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 State-Tribal Education Compact 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.

As referenced above, we identified areas where the State-Tribal Education Compact Schools could make improvements. These recommendations are included with our report as a finding.

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 Muckleshoot Tribal School from September 1, 2018 through August 31, 2021.

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 State-Tribal Education Compact Schools'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 years ended August 31, 2021, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Use of restricted funds – professional learning
- Payroll – direct deposits, leave balances and accruals and supplemental contracts
- Student enrollment reporting – basic enrollment
- Student transportation reporting

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Muckleshoot Tribal School September 1, 2018 through August 31, 2021

2021-001 The Tribal School lacked controls necessary to ensure employee pay was adequately supported.

Background

Tribal School management is responsible for creating and approving contracts for employees. Additionally, the Tribal School is responsible for designing and following internal controls that provide reasonable assurance employee compensation is supported and paid in accordance with applicable state laws, its policies and employee contracts. The Tribal School's payroll disbursements totaled about \$3.9 million in fiscal year 2019, \$4.6 million in fiscal year 2020 and \$4.7 million in fiscal year 2021.

Description of Condition

We found the Tribal School lacked controls necessary to ensure stipends, incentives, and supplemental payments to employees were adequately supported and actually paid. Specifically, we noted the following:

Evaluation Incentives

Management approved the Tribal School to provide evaluation incentives to employees during fiscal years 2020 and 2021. Under the incentive plan, the amounts that employees earned depended on the results of evaluations conducted over three quarters each year. The Tribal School's incentive payments to employees totaled \$206,039 in 2020 and \$217,491 in 2021. Our audit found the Tribal School did not retain quarterly evaluations to support some of these incentive payments.

Stipends and Supplemental Pay

The Tribal School's payments for summer school stipends, national board certification stipends, and supplemental pay for additional hours worked totaled \$67,624, \$72,319 and \$1,017,954 in fiscal years 2019, 2020 and 2021, respectively. Our audit found the Tribal School did not have complete documentation to support how summer school stipends and other supplemental pay was determined, as well as whether amounts owed to employees were actually paid.

Cause of Condition

A lack of controls, oversight and monitoring of payroll disbursements resulted in missing supporting documentation for payments, as well as underpayments to employees.

Effect of Condition

Without supporting documentation for incentives, stipends and supplemental pay, the Tribal School cannot demonstrate employees received appropriate compensation. Further, missing or inadequate supporting documentation increase the Tribal School's risk of not being able to prevent or detect a misuse of public resources, should one occur. We found the following unsupported payments:

Evaluation Incentives

The Tribal School paid \$12,900 and \$30,060 in evaluation incentives to employees in fiscal years 2020 and 2021, respectively, without supporting documentation. While the school board approved incentive payments and evaluation criteria for employees, the Tribal School did not keep supporting documentation detailing how it determined incentive compensation.

Stipends and Supplemental Pay

The Tribal School did not retain documentation to support employee stipends for national board certification and supplemental pay for additional time worked. The payments totaling \$12,649 in fiscal year 2019 and \$2,241 in fiscal year 2020 were not supported.

The Tribal School also did not pay \$16,005 owed to two employees for summer school stipends in fiscal year 2019. However, \$5,549 paid to one employee for a summer school stipend in fiscal year 2020 did not have supporting documentation.

Further, the Tribal School calculated pay for additional responsibilities and time worked over 27 pay periods. This calculation should have been made over 26 pay periods for the 2021 fiscal year. This resulted in employees not receiving \$37,702 of the full stipend payments they were owed for 2021.

Recommendation

We recommend the Tribal School develop internal controls over payroll to ensure it adequately safeguards public resources and pays employees in accordance with approved policies and contracts. This should include:

- Ensuring all compensation, including stipends, is supported by a contract or other documentation
- Retaining all supporting documentation for employee compensation, including copies of evaluations for employees who receive evaluation-based incentive payments
- Ensuring all payments owed to employees are correctly calculated and actually paid

We further recommend the Tribal School conduct a legal review to determine if any further actions, such as repayment, are necessary or required by law for the unsupported payments.

Tribal School's Response

It is clear that due to the COVID 19 pandemic there has been a disruption in our internal processes that has resulted in the lack of availability of requested payroll support documentation.

Muckleshoot Tribal School Administration, Muckleshoot Payroll, Muckleshoot Finance, Muckleshoot Human Resources and Muckleshoot Tribal Education have met to review current internal processes and to start developing clear internal controls over payroll and contract documentation to ensure that safeguards are in place, which will include:

All State funded compensation, including stipends will be supported by a contract, additional contract or addendum to original contract.

All State funded compensation support documentation including evaluations will be retained in staff files for contracts and stipends.

All State funded contracts, additional contracts, or addendums will be processed through Docu-sign and uploaded into Skyward data system along with the support documentation.

All payments owed to employees will be correctly calculated and paid to the employee by the end of the contract period unless the contract has been documented as terminated.

Auditor's Remarks

We appreciate the steps the Tribal School is taking to resolve these issues. We will follow up on these issues during the next audit.

Applicable Laws and Regulations

Washington State Constitution, Article II, Section 25 Extra Compensation Prohibited, prohibits extra compensation to public employees.

RCW 41.06 State Civil Service Law – complete chapter on state system of personnel administration. RCW 41.06.070 includes exemptions to state civil service law.

INFORMATION ABOUT THE STATE-TRIBAL EDUCATION COMPACT SCHOOL

Muckleshoot Tribal School 17903, established in September 2014 as one of the first three Washington State Tribal Compact Schools, located in King County. For the school years 2018-2019, 2019-2020 and 2020-2021, Muckleshoot Tribal School served approximately 527, 533 and 555 students respectively from K-12th grade. The Muckleshoot Tribal School education campus operates a single K-12 school, which includes elementary, middle school, and high school programs. The school received approximately \$6.2 million in direct state funding for fiscal year 2019, \$6.5 million in direct state funding for fiscal year 2020, and \$7.3 million in direct state funding for fiscal year 2021. As a sovereign nation, the Muckleshoot Indian Tribe has the ultimate control over the educational needs of the students attending the Muckleshoot Tribal School.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Muckleshoot Tribal School 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.

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