



News Release

From Seattle Public Schools

For Immediate Release: Tuesday, July 6, 2010

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Seattle Public Schools establishes rigorous process for addressing financial year 2008-09 audit findings

As part of the Washington State Auditor's Office annual audit process, an Accountability Audit of Seattle Public Schools was issued on July 6, 2010. The audit's emphasis on the need for continued improvement of internal controls and District policies for accountability is consistent with multi-year efforts under way at Seattle Public Schools to strengthen financial management.

"Because we are deeply committed to being good stewards of the public's resources, we take the information in this audit very seriously," said Superintendent Maria L. Goodloe-Johnson, Ph.D. "We acknowledge the need to take specific corrective actions noted in the report. It is a key priority to implement appropriate control and accountability measures, with specific consequences, for situations in which policies are not followed."

The School Board will work closely with the Superintendent to ensure corrections are made. "We understand and accept the State Auditor's findings," said School Board Director Sherry Carr, chair of the Board's Audit and Finance Committee. "We accept responsibility to ensure needed internal controls are established to improve accountability in Seattle Public Schools, and we will hold ourselves accountable to the public as the work progresses."

Seattle Public Schools has already addressed many of the findings noted in the 2008-09 Accountability Audit, and is establishing a multi-disciplinary audit response project team to ensure that corrective action is taken for all outstanding issues identified by the auditors.

There are four areas of action that will ensure these findings are addressed. The current audit covers the 2008-09 fiscal year (September 1, 2008 through August 31, 2009). We expect the positive impact of these actions will begin to be reflected in the audit for 2009-10 (which will cover the period September 1, 2009 through August 31, 2010) and be further strengthened in 2010-11. Some of the actions taken include:

- Organization and reporting changes were made in summer 2009 to improve controls and accountability;
- Specific actions have been taken over the past year that address many of the issues raised;
- An executive and director-level team is being appointed to address issues and report back on a regular basis; and
- The School Board's Audit and Finance Committee will establish additional measures to ensure issues are corrected and progress reported to the School Board and to the public.

Organization changes improve oversight

During summer 2009, Chief Financial and Operations Officer Donald Kennedy strengthened the reporting structure for all functions related to finance. This change means that functions with primary responsibility for establishing and monitoring the effectiveness of internal controls are under one organization umbrella, reporting to the Executive Director of Finance. Specifically:

- Payroll was moved from Human Resources to Finance and an additional resource was added to payroll management to concentrate on payroll systems;
- Budget functions that were housed within specific departments were brought back under the Executive Director of Finance, including budget for capital programs; and
- Responsibility for grants management was moved from the Learning and Teaching Division to the Finance area.

An additional step taken this summer is that the District’s grants manager now has responsibility for compliance on all grants; formerly, that responsibility was shared among program managers.

Specific corrective actions taken last 12 months

Specific actions taken to correct issues raised in the Accountability Audit include:

- Payroll: The finding related to payroll overpayments was contained in the Financial and Federal Audit issued May 24, 2010. As of May 26, 2010, Seattle Public Schools had already recovered \$71,281 (more than 21 percent) of the overpayments and employee payment plans are in place to recover an additional \$145,609, for a total of \$216,000 (61 percent of the total overpayments). The District is taking additional steps to recover \$61,600 due from individuals who are no longer employees. SPS has implemented adjustments to payroll processing systems and has put additional quality measures in place to prevent further errors.
- Other corrective action is also complete for findings related to School Board meeting minutes, the Open Public Meetings Act, personal services contracts and District credit cards.

Additional corrective actions

In addition to the corrective measures already put in place, Seattle Public Schools will assign a senior level staff member to oversee the audit response project team, which will be charged to:

- Develop issue-specific corrective action plans for each finding or area of concern;
- Identify and recommend to the School Board any policy changes needed to strengthen internal control and accountability;
- Design and implement a robust training regimen to ensure all appropriate staff understand and are able to follow all policies and procedures related to internal controls; and
- Monitor progress and report monthly to the Seattle School Board’s Audit and Finance committee.

“Seattle Public Schools has a complex financial system that involves more than half a billion dollars in annual budget and more than 8,000 employees,” said Superintendent Goodloe-Johnson. “While errors can occur in any system, we are committed to having internal controls in place that catch errors and correct them quickly. We also will develop and implement additional accountability measures.”

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