



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Issaquah School District No. 411

For the period September 1, 2022 through August 31, 2023

Published August 8, 2024

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

August 8, 2024

Board of Directors
Issaquah School District No. 411
Issaquah, 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 District 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 District'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

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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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, District 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.

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 Issaquah School District No. 411 from September 1, 2022 through August 31, 2023.

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 District'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, 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Associated Student Body activities – fees, student store and employee reimbursements
- Use of restricted funds – professional learning and local revenue for enrichment activities
- Compliance with supplemental contracts for enrichment activities
- Student enrollment reporting – special education
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Issaquah School District No. 411
September 1, 2022 through August 31, 2023

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

Audit Period: 09/01/2021 - 08/31/2022	Report Ref. No.: 1034306	Finding Ref. No.: 2022-001
Finding Caption: The District did not have adequate internal controls in place to ensure it complied with state law and used bond funds only for their intended purpose.		
Background: The District did not have adequate internal controls to monitor, manage and ensure capital project expenditures were paid by the appropriate bond funding sources. During our examination of capital projects paid by the 2012 and 2016 bonds, we found the District used the bonds to pay for capital projects that were not approved and included in the bonds' specific purpose as adopted in Resolution No. 997 and No. 1063.		
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>The District has taken the following corrective actions in response to the finding reported in prior audit period of fiscal year 2021-2022.</i> <i>The District has strengthened our internal control framework by adding a Controller and Capital Projects Accountant to our team to strengthen overall financial internal controls, provide additional oversight for capital projects fund compliance and oversee the financial management of capital projects, ensuring that expenditures align with the approved purposes of the bond funds.</i> <i>The District has revised and established different reports to offer comprehensive insights into the allocation and use of bonds funds. Since July 2022, District has revised monthly budget status reports to offer timely and straightforward updates on District's financial position and</i>		

the use of bond funds in order to keep our board of directors, superintendent, staff, and the community well-informed about the District's financial management practices and the status of capital projects. The District has also added more detailed capital project information to the District's website, issued a monthly project status memorandum to the superintendent, and provided Capital Projects Department updates during regular Board of Directors meetings and regular updates to the superintendent.

To improve on our internal checks and balances, we have decentralized duties and reconciliation tasks related to the Capital Projects Fund among several staff members rather than concentrated in one position to ensure that the management of bond funds involves multiple layers of oversight, further safeguarding against any potential misuse.

We have also committed to ongoing professional development and training for staff involved in the management and oversight of capital projects, including offerings from the Washington Association of School Business Officials, individual instruction from expert consultants, in-house developed trainings, and peer district shared learning to ensure that staff remain well-equipped with the knowledge and skills necessary to manage public funds effectively and efficiently and in compliance with applicable laws.

To further enhance transparency and accountability for future bond projects, the District will establish a Bond Oversight Committee upon new bond issuance. This committee will be composed of community members, financial experts, and other stakeholders, tasked with the oversight of bond funds and ensuring that all expenditures are in accordance with voter-approved projects. The committee will regularly meet to review project progress, financial reports, compliance with bond covenants and to provide an additional layer of assurance to the community that bond funds are being managed responsibly. Meetings of the Bond Oversight Committee will be open to the public, and its findings and recommendations will be reported to the Board of Directors and shared with the community.

RELATED REPORTS

Financial

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal programs, which are listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report includes a federal finding regarding use of Supply Chain Assistance funds from the Child Nutrition Cluster program. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Issaquah School District No. 411 is an urban school district that serves approximately 18,600 students in kindergarten through 12th grade in the foothills of the Cascade Mountains. The District operates three comprehensive high schools, one innovative public high school, six middle schools and 16 elementary schools. It also operates the educational section at the state's Echo Glen Children's Center in Snoqualmie.

An elected, five-member Board of Directors governs the District. The Board appoints a Superintendent to oversee the District's daily operations as well as its approximately 3,000 employees. For fiscal year 2023, the District operated on an annual budget of approximately \$372 million.

Contact information related to this report

Address:	Issaquah School District No. 411 5150 220th Avenue S.E. Issaquah, WA 98029
Contact:	Cindy Feng, Controller
Telephone:	(425) 837-7139
Website:	https://www.isd411.org/

Information current as of report publish date.

Audit history

You can find current and past audit reports for Issaquah School District No. 411 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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