



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Lake Washington School District No. 414

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

Published June 6, 2024

Report No. 1034997



Scan to see another great way
we're helping advance
#GoodGovernment



Office of the Washington State Auditor Pat McCarthy

June 6, 2024

Superintendent and Board of Directors
Lake Washington School District No. 414
Redmond, 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.

TABLE OF CONTENTS

Audit Results..... 4

Schedule of Audit Findings and Responses..... 5

Related Reports..... 8

Information about the District..... 9

About the State Auditor's Office..... 10

AUDIT RESULTS

Results in brief

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

As referenced above, we identified areas where the District 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 Lake Washington School District No. 414 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:

- Use of restricted funds – student fees collected at Tesla STEM High School, professional learning and local revenue for enrichment activities
- Compliance with supplemental contracts for enrichment activities
- Student enrollment reporting - Alternative Learning Experience
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Lake Washington School District No. 414 September 1, 2022 through August 31, 2023

2023-001 The District lacked adequate controls over enrollment reporting for its Sammamish River Valley Online alternative learning experience program, resulting in overreporting of 3.861 Annual Average Full Time Equivalent.

Background

The Office of Superintendent of Public Instruction (OSPI) establishes the rules and instructions for reporting alternative learning experience (ALE) enrollment for state funding. ALE is an individualized course of study that a school district may claim for basic education funding, provided the district complies with state regulations.

OSPI rules require school districts to identify in written student learning plans the number of hours each student will participate in learning activities. School districts use the hours identified in these plans to report students for funding. Certificated staff must sign and date the plans as evidence of approval. Staff must also evaluate and document each student's student progress toward planned goals within five days of the end of the month. When staff do not conduct monthly evaluations timely or at all, school districts may not claim the students for funding. If a monthly evaluation indicates unsatisfactory progress, staff must develop and document an intervention plan within five days of the evaluation to improve the student's progress. When staff do not develop and document an intervention plan within those five days, school districts may not claim the student for funding. School districts must also document student participation on or before each student's first enrolled count date.

In the 2022–2023 school year, the District received about \$318 million in apportionment funding based on student enrollment, staffing and transportation. The District's ALE program, Sammamish River Valley Online, made up about \$1.1 million of this funding. The program served students in grades 6–12 and reported 119.233 annual average full-time equivalent (AAFTE) students. The program opened for enrollment in the 2021–22 school year and closed at the end of the 2022–2023 school year.

District management is responsible for designing and following internal controls that provide reasonable assurance that documentation supporting ALE enrollment reporting is reliable. During our audit of the Sammamish River Valley Online program, we identified control deficiencies that hindered the District's ability to

follow state law, administrative code and OSPI guidance to produce and maintain reliable support for ALE enrollment reporting.

Description of Condition

The District did not have internal controls in place to ensure it met all ALE requirements before claiming students for ALE funding.

Our audit examined seven student files, totaling 56.59 monthly full-time equivalent (FTE). From our review of these files, we found the District overreported a total of 38.61 monthly FTE for the school year. The following issues affected the District's funding during the audit period:

- Certificated staff did not document and maintain students' prior-month progress reviews and intervention plans.
- Certificated staff did not approve student learning plans before the first count date.
- The FTE the District claimed was not based on hours documented in student learning plans.
- Staff made rounding errors when calculating student FTE.

Further, the District's ALE policy did not specifically include the Sammamish River Valley Online program, and the District does not have documentation showing the Board of Directors reviewed the administrative policy in the past year.

Cause of Condition

Certificated staff did not follow state regulations and OSPI rules for ALE programs. In addition, the District did not keep documentation to support its funding claims for students enrolled in its ALE program.

Effect of Condition

The District overreported 3.861 AAFTE students in the Sammamish River Valley Online program, resulting in it receiving more basic education funding than it should have.

Recommendation

We recommend the District:

- Prepare and retain monthly progress evaluations for students

- Prepare and retain intervention plans when students' monthly progress evaluations indicate unsatisfactory progress
- Develop written student learning plans and have a certificated teacher approve them before claiming students for ALE funding
- Claim FTE based on the number of expected learning hours students' written learning plans
- Document the Board's yearly review of ALE administrative policies and procedures

District's Response

The Sammamish River Valley Online School (SRVOS) was established in the 2021-2022 school year under emergency rules with OSPI during the pandemic. SRVOS was closed at the end of the 2022-2023 school year. During the two years the program was open, there was leadership and staff turnover. Some of the staff no longer work in the district. While there was a clear expectation of communication on student progress, the system for retaining records was not in place during the audit period. We want to thank the auditors for their work during this process. We will be meeting with program staff who have oversight of other ongoing ALE programs in the district to review processes and procedures.

Auditor's Remarks

We appreciate the District's commitment to resolving the issues identified above and reviewing processes and procedures of other ongoing ALE programs. We will follow up on the status of the finding during the next regularly scheduled audit.

Applicable Laws and Regulations

WAC 392-550-025, Alternative learning experience requirements

WAC 392-121-182, Alternative learning experience requirements

WAC 392-121-122, Definition – Full-time equivalent student

WAC 392-550-045, Required school district or charter school board policies for alternative learning experiences.

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 is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Lake Washington School District No. 414 serves more than 29,980 full-time students from preschool through 12th grade in east King County. It encompasses 76 square miles and serves the cities of Kirkland and Redmond and parts of Sammamish, Bothell and Woodinville. The District has 56 schools: 33 elementary schools (grades K-5), 14 middle schools (grades 6-8) and nine high schools (grades 9-12), including 12 choice schools and one choice program (Cambridge Program at Juanita High School). The District also offers pre-school programs in seven elementary schools.

An elected, five-member Board of Directors governs the District. The Board appoints management to oversee the District's daily operations as well as its approximately 4,565 employees. For fiscal year 2023, the District's operating budget was approximately \$721 million for all funds.

Contact information related to this report

Address:	Lake Washington School District No. 414 P.O. Box 97039 Redmond, WA 98073
Contact:	Margo Allen, Accounting Manager
Telephone:	(425) 936-1478
Website:	https://www.lwsd.org/

Information current as of report publish date.

Audit history

You can find current and past audit reports for Lake Washington School District No. 414 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.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov