

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Peninsula School District No. 401**  
**Pierce County**

Report Date  
**April 8, 2014**

**Report No. 1011641**

Issue Date  
**April 21, 2014**



**Washington State Auditor**  
**Troy Kelley**

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# Washington State Auditor Troy Kelley

April 21, 2014

Board of Directors  
Peninsula School District No. 401  
Gig Harbor, Washington

## *Report on Accountability*

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Peninsula School District No. 401's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

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**Pierce County**  
**April 8, 2014**

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# Audit Summary

**Peninsula School District No. 401  
Pierce County  
April 8, 2014**

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Peninsula School District No. 401 from September 1, 2012 through August 31, 2013.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Safeguarding of small and attractive assets
- Controls over donated items
- Financial condition
- Fuel purchases and vehicle fueling
- Student enrollment reporting
- Student transportation reporting
- Associated Student Body fundraising
- Student stores

## ***RESULTS***

In most areas, the District complied with state laws and regulations and its own policies and procedures.

However, we identified a condition significant enough to report as a finding:

- The District's internal controls over Associated Student Body activities are insufficient to safeguard against loss and noncompliance with laws and regulations.

## Related Reports

**Peninsula School District No. 401**  
**Pierce County**  
**April 8, 2014**

### ***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.

### ***FEDERAL GRANT PROGRAMS***

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal program, which is listed in the Federal Summary section of the financial statement and single audit report.

## **Description of the District**

**Peninsula School District No. 401  
Pierce County  
April 8, 2014**

### ***ABOUT THE DISTRICT***

Peninsula School District No. 401, located in Pierce County, provides educational services to approximately 9,000 students in preschool through 12th grade. The District has 15 schools and provides services including basic education, bilingual education, special education, pupil transportation, and food services.

An elected, five-member Board of Directors governs the District. Board Members serve staggered, four-year terms. The Board appoints a Superintendent to oversee the District's daily operations as well as its approximately 1,175 employees. For the 2012-2013 school year, the District operated on a general fund budget of approximately \$84 million.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Directors:

Matthew Wilkinson  
Wendy Wojtanowicz  
Rand Wilhelmsen  
Jill Uddenberg (through October 2012)  
Harlan Gallinger (effective December  
2012)  
Rick Jones

### ***APPOINTED OFFICIALS***

Superintendent  
Chief Financial Officer

Charles Cuzzetto  
Karen Andersen

## ***DISTRICT CONTACT INFORMATION***

Address: Peninsula School District No. 401  
14015 62nd Avenue N.W.  
Gig Harbor, WA 98335

Phone: (253) 530-1000

Website: [www.peninsula.wednet.edu](http://www.peninsula.wednet.edu)

## ***AUDIT HISTORY***

We audit the District annually. The 2007 audit contained two findings regarding special education procurement and Title I supplemental educational services. The District has since resolved these findings.

# Schedule of Audit Findings and Responses

**Peninsula School District No. 401  
Pierce County  
April 8, 2014**

- 1. The District's internal controls over Associated Student Body activities are insufficient to safeguard against loss and noncompliance with laws and regulations.**

## **Description of Condition**

The Peninsula School District No. 401 collected a total of \$1,147,102 in the 2012-2013 school year.

During our previous audit of fiscal year 2012, we noted the following recommendations were given:

- Complete a profit analysis for all fundraisers.
- Approve all fundraising events prior to event date.
- Ensure that cash boxes are stored in a secure location and secured at all times.

We reviewed Associated Student Body (ASB) procedures and followed up on our prior year recommendations at Gig Harbor High School, Peninsula High School and Kopachuck Middle School. We found the District has not implemented our recommendations. We identified the following issues:

### Minutes:

Gig Harbor High School did not retain student council minutes for fiscal year 2013. Per the School District Records Retention Schedule, ASB minutes are to be retained for six years after the end of the calendar year before being transferred to the Washington State Archives for permanent retention.

### Fundraisers:

During our review of fundraisers we identified missing fundraiser documentation. We reviewed a total of 11 fundraisers between the three schools. We noted the following missing or inadequate documentation:

- Five fundraisers did not have student council approval prior to the event date.
- Three fundraisers did not have an analysis of expected revenue.
- Seven fundraisers did not have a reconciliation of receipts to expected profit analysis (following the event).
- Seven fundraisers did not have a completed profit analysis.
- Three fundraisers had purchases made prior to council approval.
- Three fundraisers did not have daily deposits with matching (cash/check) composition.
- One event did not have adequate staff oversight of cash handling.

We further noted a reconciliation of inventory sold was not completed in most cases.

### Ticket Sales:

During a review of ticket sales to various events at both Gig Harbor and Peninsula High Schools, we found documentation to support the number of tickets sold was inadequate. This created a variance between the number of tickets sold (expected revenue) and actual revenue. We specifically noted four events in which revenue collected did not reconcile to the number of tickets sold.

At Peninsula High School, we found one event in which no information was retained regarding how many tickets were sold. At Gig Harbor High School, we found one event that took place for two days, which resulted in a \$468 overage the first day and \$883 overage the second day due to ticket sellers not issuing tickets for all tickets sold.

We noted another event in which the cash reconciliation appears to be inaccurate. It appears total cash and overages were incorrectly calculated. We found several notes on the reconciliation in reference to additional donations that were made. However, the cash reconciliation not only noted a difference in expected revenue to actual revenue, but it did not include any of the donations noted. The high school's bookkeeper is unaware if these funds were receipted separately.

### Yearbooks:

At both Gig Harbor and Peninsula High Schools, we found yearbook revenue was not reconciled to the number of yearbooks sold to ensure all funds were received. Additionally, we found a large number of yearbooks went unsold during fiscal year 2013; there was not adequate tracking of this unsold inventory.

### Cash Box Storage:

As noted above, it was previously recommended that the District ensure that cash boxes are secure at all times and stored in a secure location. However, we found that this recommendation was not implemented. At Peninsula High School, cash boxes are often stored in the vault in the main office before and after sporting events or other after school activities. The vault remains open and unlocked during the day with many employees having access.

### **Cause of Condition**

The District has not allocated the necessary resources over ASB activities to ensure all activities are adequately supported.

### **Effect of Condition**

Inadequate internal controls over ASB activities and cash handling increase the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner, if at all.

### **Recommendation**

We recommend the District improve internal controls over ASB activities to ensure compliance with association guidance, and state laws and regulations. These improvements should include:

- Retaining student council minutes.
- Ensure all necessary records are prepared, retained, and monitored.
- Ensuring staff and students selling tickets at an ASB event receive adequate training.
- Reconciling the number of tickets sold to the amount receipted and ensuring any large differences are investigated.
- Reconciling yearbook revenue to the number of yearbooks sold and periodically reconciling yearbook inventory.
- Storing cash boxes in a secure location at all times to reduce the risk of a potential loss.

## **District's Response**

*Previous recommendations have been shared and discussed with applicable parties and processes were changed to address the recommendations. Due to the timing of the audit recommendations given and actual implementation of those recommendations, changes to processes might not show up until the following school year. Fundraiser activities tend to decrease in the last few months of the school year and any changes implemented might not be fully recognized based on where the fundraiser was in the process. It is our understanding that the audit review of post audit records did reflect improvement.*

*It is also important to note that a new ASB Advisor taking over at Gig Harbor High School did not intentionally destroy ASB minutes. The retiring advisor had been in the same classroom for several years and during the transition, the minutes were never found in the boxes of materials that were left in the classroom. The previous advisor was contacted but she could not tell us where the minutes might be once she had left the school. We believe this is an isolated incident and have verified with the other fourteen schools that they are retaining identified documents as per guidance from the records retention manual. Furthermore, the new advisor immediately established a new process for recording and storing all ASB meeting minutes starting this current school year. The new process includes both an electronic copy stored within a Leadership folder on the school's digital network and a signed original that is stored in the bookkeeper's records on a fiscal year basis.*

*The District has taken steps to improve internal controls over ASB activities and will continue to update processes to incorporate verification methods to ensure compliance with Association guidance, and state laws and regulations. We are updating and standardizing all required forms to properly document ASB activities and fundraisers to be used by all schools within the district. We will provide written and verbal guidance to ASB Advisors and building bookkeepers to establish expectations for proper accountability for ASB activities within their building. We will provide annual guidance updates to ensure that all new incoming advisors and/or building bookkeepers are aware of compliance requirements for ASB activities and records. We are revising our monitoring processes to include random site visits during the school year. We are also reviewing and adjusting our requirements for district level supporting documentation to ensure that proper processes are occurring to support specific ASB activities.*

## **Auditor's Remarks**

We thank the District for its cooperation and assistance throughout the audit, and the steps it is taking to address this issue. We will review the status of the District's corrective action during our next audit.

## Applicable Laws and Regulations

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class. The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons. The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived wherefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction...

RCW 28A.400.030(3) states in part:

The Superintendent shall keep accurate and detailed accounts of all receipts and expenditures of school money.

The *Accounting Manual for School Districts*, Chapter 3, states in part:

Each school board is responsible for establishing and maintaining an effective system of internal controls throughout the district.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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**Lou Adams, CPA**  
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**Thomas Shapley**  
**Mike Murphy**  
**Mary Leider**  
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