



Washington State Auditor's Office

Government that works for citizens

Accountability Audit Report

Oakville School District No. 400

Grays Harbor County

For the period September 1, 2014 through August 31, 2015

Published May 31, 2016

Report No. 1016818





Washington State Auditor's Office

May 31, 2016

Board of Directors
Oakville School District No. 400
Oakville, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office 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.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Audit Summary.....	4
Schedule Of Audit Findings And Responses.....	5
Related Reports.....	10
Information About The District	11
About The State Auditor’s Office.....	12

AUDIT SUMMARY

Results in brief

In most areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in most of the areas we examined.

However, we identified areas in which the District could make improvements.

We recommended the District establish formal policies and procedures over all aspects of cash receipting, ASB cash receipting and general disbursements. These policies should establish internal controls to ensure funds are adequately safeguarded. The policies should also include sufficient monitoring and oversight by an independent party.

These recommendations were included in our report as a finding.

We also noted certain matters that we communicated to the District management in a letter dated May 23, 2016 related to staff mix reporting. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Oakville School District No. 400 from September 1, 2014 through August 31, 2015.

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.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

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 fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Open public meetings
- General revenues and expenditures
- Cash receipting
- Associated Student Body (ASB)
- Financial condition
- Staff mix
- General disbursements
- Enrollment

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2015-001 The District lacks adequate internal controls over cash receipting, general disbursements, and credit cards to ensure public resources are safeguarded.

Background

The District continues to have internal control weaknesses over its financial operations. Specifically, the District lacks adequate internal controls, policies and procedures related to cash receipting, ASB cash receipting and general disbursements.

Description of Condition

Cash Receipting

The District does not have a cash receipting policy. As a result, the District does not use receipts or check logs to record the receipt of funds. We also noted the District does not have an independent review of bank deposits. As a result of this control deficiency, we identified the following issues during our audit.

- Six deposits totaling \$38,585 were not deposited timely in accordance with State law.
- Revenue of \$5,620 attributed to fiscal year 2015 was recorded as fiscal year 2016 receipts.
- Lunch receipts of \$332 were not entered into the general ledger.
- Lunch revenue of \$146 receipted in November and December 2015 was recorded in January 2016.

ASB Cash Receipting

We made recommendations in the prior audit relating to the lack of internal controls over the District's ASB cash receipts. The District implemented some of the recommendations; however, we noted the following issues continue to exist:

- 16 of the 17 deposits tested totaling \$16,574 were not deposited timely in accordance with State law.
- Sequentially prenumbered receipts were not consistently used.
- Receipts were not retained to confirm that revenue posted to the ASB account agree with receipted amounts and dates.

- Reconciliations of deposits and receipts were not performed in a timely manner.

General Disbursements

We reviewed general disbursements at the District Office and identified that there is no independent secondary review of the monthly County Treasurer's reconciliation. We also identified there is not a consistent review of expenditures prior to payment. Specifically:

- 29 out of 30 invoices tested did not have any evidence of review or approval.
- Eight warrants totaling \$26,918 were approved by the Board without review.
- During the 2014-15 school year, the District made payments of \$51,642 with credit cards. Credit card transactions were not supported with receipts or invoices.

Cause of Condition

The District does not have adequate written policies outlining the responsibilities and expected practices for cash receipting and processing payments. They also do not have adequate monitoring of all expenditures to validate an allowable purpose.

Effect of Condition

The District does not have adequate internal controls to safeguard public resources. Without adequate internal controls, public funds are at risk for misappropriation, misuse or loss that would not be detected by management in a timely manner, if at all.

Recommendation

We recommend the District establish formal policies and procedures over all aspects of cash receipting, ASB cash receipting and general disbursements. These policies should establish internal controls to ensure funds are adequately safeguarded. The policies should also include sufficient monitoring and oversight by an independent party.

District's Response

The District will establish formal policies and/or procedures for cash receipting and general disbursements for all funds. Internal controls will be established to ensure timely deposits and reconciliations along with adequate monitoring, oversight and independent review.

Auditor's Remarks

We appreciate the District's commitment to resolving the issue. We will follow up on its status during the next audit.

Applicable Laws and Regulations

RCW 28A.400.030 Superintendent's duties, states in part:

In addition to such other duties as a district school board shall prescribe the school district superintendent shall:

- (3) Keep accurate and detailed accounts of all receipts and expenditures of school money.

Accounting Manual for Public School Districts in the State of Washington, September 2013, Chapter 3 Accounting Guidelines, Internal Control Structure, states in part:

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

Further, an internal control system; (should) ensure that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

WAC 392-138-014 Accounting procedures and records, states in part:

Associated student body public and nonassociated student body private moneys shall be accounted for as follows:

- (1) Accounting methods and procedures shall comply with such rules and regulations /or guidelines as are developed by the state auditor and the superintendent of public instruction and published in the *Accounting Manual for*

Public Schools in the State of Washington and/or other publications;

(2) Whenever two or more associated student bodies exist within a school district, the accounting records shall be maintained in such a manner as to provide a separate accounting for the transactions of each associated student body in the associated student body program fund;

(3) The fiscal and accounting records of associated student body program moneys shall constitute public records of the school district, shall be available for examination by the state auditor, and shall be preserved in accordance with statutory provisions governing the retention of public records. . . .

WAC 392-123-010 The accounting manual, states:

The superintendent of public instruction and the office of the state auditor shall publish and distribute to each school district and charter school an accounting manual which shall be referred to as *The Accounting Manual for Public School Districts of the State of Washington*. Such accounting manual, as now or hereafter amended, shall govern the accounting procedures of each school district and charter school and is hereby incorporated into this chapter by this reference. Prior to any revision thereof, the superintendent of public instruction shall publish notice of such proposed action and shall hold at least one public hearing.

Accounting Manual for Public School Districts in the State of Washington
Chapter 3 Internal Control states in part:

Internal control is a management process to assist a school district in achieving the educational objectives adopted by the school board. This management control system should include procedures and policies to help ensure resources are guarded against waste, loss, and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations, and policies.

Each school district should adopt methods to assess risk and review control activities. The methods developed should address each school district's specific needs.

RELATED REPORTS

Financial

We have issued a separate report related to our engagement to audit the District's financial statements; however, we did not express an opinion on the District's financial statements. We were not able to obtain statements supporting the financial activities of the District for the year ended August 31, 2015, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. That report includes a finding related to deficiencies in the District's internal controls and noncompliance with state laws that require the preparation of an annual financial report. That 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 program, which is listed in the Schedule of Findings and Questioned Costs section of the separate single audit report, which includes an opinion on the Schedule of Expenditures of Federal Awards. That report includes a federal finding regarding controls over impact aid reporting requirements which resulted in an adverse opinion on the impact aid program. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Oakville School District No. 400 provides educational services to approximately 300 students in kindergarten through 12th grade in Grays Harbor County. It has one high school, one middle school, and one elementary school.

A five-member Board of Directors, elected to four-year terms, governs the District's operations. The Board-appointed Superintendent is responsible for the District's day-to-day operations and its approximately 30 employees who provide basic education and support services. The District operates on a \$3.5 million annual general fund budget.

Contact information related to this report	
Address:	Oakville School District No. 400 P.O. Box H Oakville, WA 98568
Contact:	Kathy Barnard, Business Manager
Telephone:	(360) 273-0171
Website:	www.oakvilleschools.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for Oakville School District No. 400 at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov