

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2015-001 The District continues to lack adequate internal controls over ASB funds and deposited restricted ASB funds into the General Fund.

Background

The District has received recommendations over internal controls over ASB funds and activities in the past two audits. The District continues to have control deficiencies over ASB activities.

Description of Condition

The District deposited funds generated by gate fees for athletic events into the General Fund. Funds generated by student activities are legally restricted and must be accounted for in the ASB Fund. The General fund is an account for unrestricted funds.

In addition, during our review of ASB activities, we noted:

- Seven instances of no pre-approvals by the board for ASB events.
- Seven instances of events not listed or approved in the ASB minutes.
- Six instances of no approval from an ASB Advisor for ASB events.
- Six instances of no revenue/expense analysis and four instances of no reconciliations for ASB fundraising activity.
- Out of six games reviewed, there were six instances with variances of tickets issued to funds collected totaling \$30.

Cause of Condition

The District does not have adequate controls to ensure requirements of ASB activities are in accordance with applicable requirements. The District was not aware that gate receipts generated by ASB activities are restricted and should only be deposited in the ASB Fund.

Effect of Condition

Without adequate internal controls, the District cannot adequately safeguard public resources and ensure restricted funds are used for allowable purposes.

Further, the District is not in compliance with the Schools Accounting Manual.

Recommendation

We recommend the District:

- Deposit ASB generating revenues from ASB activities into the ASB Fund.
- The ASB Advisor/Staff and District Administration follow the WASBO ASB activities and fundraiser requirements that were adopted as the District policy.
- Ensure all ASB activities are approved by all required parties.
- Perform a revenue/expense analysis and reconciliation of fundraising activity for all fundraisers.
- Monitor athletic gate receipting and reconciliations to ensure reporting is correct and all revenues earned are deposited with the District Secretary.

School District's Response

In response to our 2016 Audit finding: our Touchet ASB internal control system will consist of a plan of organization, methods, and procedures that will be adopted by the Touchet School District management to exercise effective accounting control over assets, liabilities, revenues and expenditures. The system will be designed to ensure that resource use is consistent with law, policy and regulations; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

The purpose of an Associated Student Body (ASB) fund is to promote the general welfare and morale of the students. Student classes and clubs will be properly approved by the ASB and copies of their statement of purpose and objectives will be on file in the school office. This will ensure all ASB activities are approved by all required parties.

There are many issues involved with the management of ASB funds and operations. First, in sharp contrast to most other funds, which are received by the District in the form of checks, most ASB funds are received in cash. It is always easier for fraud, abuse, or human error to occur when funds are in cash, so internal controls are extremely important.

The Board of Directors (Board) is ultimately responsible for everything that happens in the District, including the activities of ASB organizations. The Board establishes the parameters for the operation of the District through Board policies. The superintendent is responsible for ensuring the implementation of Board policies and that staff follow those policies. In addition, the superintendent

is responsible for establishing procedures by which staff remain in compliance with Board policy.

The District's Business Office establishes accounting procedures for the ASB financial activities to ensure compliance with federal and state statutes, Board policies, and accounting principles. The Business Office will assist in training, serve as a resource to schools, and conduct internal audits and regular continuous monitoring of financial activities. We have recently hired a new business manager for the Touchet School District. He will be attending the necessary training through WASBO and he will also receive support from ESD 123. He will ensure that Deposits of ASB generating revenues from ASB activities are placed into the ASB Fund.

The principal provides oversight and is responsible for ensuring that student body funds are spent for the general welfare of the student body. While the principal has the ultimate responsibility for all activities at the school site, many responsibilities for ASB management functions has been delegated to the business manager.

Our ASB advisor is responsible for monitoring and managing the activities of ASB. We are fortunate that our ASB advisor for the 2015-2016 school year will continue in his capacity for the 2016-2017 school year. He has attended the training for ASB advisors through WASBO and wishes to enhance his capacity of ASB knowledge with any future training opportunities. The ASB Advisor/Staff and District Administration will follow the WASBO ASB activities and fundraiser requirements that were adopted as the District policy. In addition they will perform a revenue/expense analysis and reconciliation of fundraising activity for all fundraisers and monitor athletic gate receipting and reconciliations to ensure reporting is correct and all revenues earned are deposited with the District office.

ASB records are audited by independent auditors. If the auditors identify a problem or significant weakness in how ASB funds were managed during the school year, they will report the weakness to the District's superintendent and school board. We believe that audit findings are used as a tool to strengthen operations and to ensure such errors do not happen again.

Auditor's Remarks

We appreciate the District's commitment to resolving the issues noted and thank the District for its cooperation and assistance during the audit. We will follow up on this 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 non-associated 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.

Accounting Manual for Public School Districts in the State of Washington, Chapter 9 Information Unique to Each Fund, Associated Student Body Funds, states in part:

Special revenue funds are used to account for the proceeds of revenue sources that are legally restricted to expenditure for specified purposes.