



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Ridgefield School District No. 122

Clark County

For the period September 1, 2013 through August 31, 2016

Published September 21, 2017

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Office of the Washington State Auditor
Pat McCarthy

September 21, 2017

Superintendent and Board of Directors
Ridgefield School District No. 122
Ridgefield, 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,

Pat McCarthy
State Auditor
Olympia, WA

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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 areas we examined.

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

We recommended the District continue to improve formal policies and procedures over cash receipting at school locations. In addition, we recommended the District:

- Adequately secure receipts
- Ensure receipts are recorded in the system promptly
- Deposit all funds within the required timeframe under the District's daily deposit waiver and policy
- Reconcile all receipts collected to expected revenues, and follow up on variances, to detect a loss or error promptly

These recommendations were included in our report as a finding.

We also noted certain matters that we communicated to District management in a letter dated September 12, 2017, related to Associated Student Body fundraising. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Ridgefield School District No. 122 from September 1, 2013 through August 31, 2016.

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:

- Accounts payable internal controls
- Associated Student Body fundraising
- Cash receipting – school business offices
- Financial condition
- Payroll internal controls and disbursements
- Staff mix apportionment

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-001 The District did not have adequate cash receipting controls, increasing the risk that undetected errors or misappropriation could occur.

Background

District management is responsible for designing and following internal controls that provide reasonable assurance of compliance with state laws, policies, and the safeguarding of public resources. A lack of or inadequate controls can hinder the District's ability to comply with laws and policies and prevent or detect misappropriation.

Description of Condition

The District collects revenue for school lunches, fieldtrips, class fees, after school activity and other miscellaneous fees at each of the school buildings. We reviewed controls over cash handling and receipting at three school buildings and identified the following deficiencies:

Union Ridge Elementary School

- The District did not perform reconciliations of expected revenues based on participation in activities to fees collected to ensure all funds owed to the District were collected.
- Some funds were not receipted in the system immediately upon collection. For example, food service cashiers left funds at the office to be receipted by other food service personnel later in the day.
- The District did not maintain adequate documentation to support participation in activities, such as fieldtrips, afterschool programs or yearbook sales.
- Chain-of-custody logs were not used for the transfer of funds between employees during the 2013-2014 or 2014-2015 school years.
- Funds were held in locations that lacked adequate security. While safes or locked locations were available, they were either not used or multiple individuals had access to them. In some cases, funds were left unattended on tabletops.

- Deposits were not made within limitations of the District’s daily deposit waiver and policy. Funds were held for up to five days past the limits of the waiver and policy.
- The imprest checking account was not replenished promptly. Also, replenishments provided were held by office personnel and delayed deposits up to three months after the replenishment check was issued.

View Ridge Middle School

- Funds were not receipted in the system immediately upon collection. It appears the school collected funds and held them for up to a week before receipting them. As a result, we are unable to determine whether deposits were made within the limits set by the District’s daily deposit waiver and policy.

Ridgefield High School

- Deposits were not made within limitations of the District’s daily deposit waiver and policy. Funds were held for up to five days past the limits of the waiver and policy.

Cause of Condition

Previous management did not hold buildings accountable to District policies and lacked adequate review practices. In addition, previous policies allowed for a lack of segregation of receipting duties.

Effect of Condition

The lack of internal controls and monitoring over transactions increases the risk that misappropriation or misuse of District resources could occur and not be detected promptly, if at all. We acknowledge that the District recognized weaknesses in their processes and began strengthening controls during the 2015-2016 school year.

Loss of Public Funds:

The District’s Director of Business Services notified our office on January 4, 2017, regarding a potential loss of public funds, as required by state law (RCW 43.09.185). We tested to determine whether a loss relating to fee revenues occurred at one of the District’s buildings. The lack of supporting documentation for participation in fee-related activities and other inadequate controls complicated our testing. As a result, we developed an expectation of the maximum possible participation in fee activities at the school to derive an

estimate of expected revenue. We reconciled the expected revenue to actual collections during school years 2015-2016, 2014-2015 and 2013-2014 and identified variances where expected revenues exceeded collections by \$1,731, \$2,685 and \$6,681, respectively.

These variances are the result of three possible causes, which we were unable to determine:

- Misappropriation of collections
- Not billing students for fees
- Not collecting owed fees from students

Recommendations

We recommend the District continue to improve formal policies and procedures over cash receipting at school locations. In addition, we recommend the District:

- Adequately secure receipts
- Ensure receipts are recorded in the system promptly
- Deposits all funds within the required timeframe under the District's daily deposit waiver and policy
- Reconcile all receipts collected to expected revenues, and follow up on variances, to detect a loss or error promptly

District's Response

We greatly appreciate the assistance and professionalism of the audit team who assisted on our audit this year. The District's Board of Directors and Management believe in the importance of having accountability over collection of and use of public funds. As the finding makes reference, we self-identified some concerns with past handling of cash receipts through our review of our internal controls. Through that review, we discovered discrepancies in the accounting records which we which reported to the State Auditor's Office as required.

It is important to note that the district experienced significant turnover in its Business Office during the audit period, with the current Executive Director of Business Services starting in June of 2015. The District acknowledges that during the 2013-14 and 2014-15 school years, it did not have appropriate oversight and monitoring in place to address the concerns noted by the auditor.

Current District management implemented new guidelines and procedures during the 2015-16 school year to assist staff in being aware of District requirements. Additional procedures were added during the 2016-17 school year in response to the District's follow-up on the status of implementation of the District's enhanced controls, and the recommendations made by the State Auditor's Office. The District also provides annual training to secretaries and those responsible for cash receipting to ensure they are aware of the requirements. Additionally, the District has purchased safes for all locations and instituted a chain of custody log to ensure property security and custody of funds. The District's procedures have also included detailed reconciliations of sub-system receipt records to the general ledger and bank activity since the 2015-16 school year.

The District will continue to work with the individual buildings to ensure they are also properly reconciling their own cash receipts to system records in a timely manner, to ensure all expected funds are actually received and accounted for.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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 392-123-010 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.

RCW 43.09.240 Local government accounting – Public officers and employees – Duty to account and report – Removal from office – Deposit of collections, states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be

administratively practical or feasible as long as the treasurer has received a written request from the department, district, or agency, and where the department, district, or agency certifies that the money is held with proper safekeeping and that the entity carries out proper theft protection to reduce risk of loss of funds. Exceptions granted by the treasurer shall state the frequency with which deposits are required as long as no exception exceeds a time period greater than one deposit per week.

RELATED REPORTS

Financial

Our opinion on the District's financial statements 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>.

INFORMATION ABOUT THE DISTRICT

Ridgefield School District No. 122, located in Clark County, serves approximately 2,500 students from kindergarten through 12th grade. The District operates a high school, middle school and two elementary schools.

An elected, five-member Board of Directors governs the District. The District had annual revenues of approximately \$22 million, \$27 million, and \$29 million, for fiscal years 2014, 2015, and 2016, respectively.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for Ridgefield School District No. 122 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
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