



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Pinnacles Prep Charter School

(Pinnacles Prep)

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

Published April 25, 2024

Report No. 1034645



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



**Office of the Washington State Auditor
Pat McCarthy**

April 25, 2024

Board of Directors
Pinnacles Prep
Wenatchee, 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 Charter Public School 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 Charter Public School'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.....	6
Related Reports	8
Information about the Charter Public School	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, Charter Public School 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 Charter Public School could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to separation of public and private activities that we communicated to Charter Public School management and the Board of Directors in a letter dated April 17, 2024. We appreciate the Charter Public School's commitment to resolving those matters.

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 Pinnacles Prep 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 Charter Public School'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:

- Separation of public and private activities
- Use of restricted funds – professional learning
- Compliance with supplemental contracts for enrichment activities
- Payroll – including direct deposit, gross wages, and final pay to departing employees
- Accounts payable – including general disbursements and credit cards
- Student enrollment reporting – basic education, special education, and career and technical education
- Establishment of local revenue and expenditure accounts
- Open public meetings – compliance with minutes, meetings, and executive session requirements

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Pinnacles Prep September 1, 2022 through August 31, 2023

2023-001 Pinnacles Prep's financial statements did not comply with financial reporting requirements for public charter schools.

Background

State and federal agencies, the Board of Directors, and the public rely on information included in Pinnacles Prep's financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance Pinnacles Prep's financial reporting is reliable, and its basic financial statements are accurate.

Pinnacles Prep is a nonprofit organization providing public charter school educational services as established under RCW 28A.710.020. Pinnacles Prep is authorized by the Washington State Charter School Commission, and it was established with a five-year contract effective August 24, 2021.

Under state law and their contract with the Commission, public charter schools must adhere to generally accepted accounting principles for governmental entities. They must also comply with the same governmental reporting requirements, which are issued by the Governmental Accounting Standards Board (GASB), as traditional public school districts. The charter contract also requires compliance with the *Accounting Manual for Public School Districts in the State of Washington*, which is published by the Office of Superintendent of Public Instruction and the Office of the Washington State Auditor.

Description of Condition

Pinnacles Prep's financial statements for the fiscal year ended August 31, 2022, were not presented in accordance with GASB accounting standards, as required by state law and its contract with the Commission.

Cause of Condition

Pinnacles Prep relies on a certified public accounting (CPA) firm to compile and audit its financial statements. School officials did not know the financial statements prepared by the CPA firm did not meet the presentation requirements for public charter schools in Washington. Additionally, Pinnacles Prep staff did not conduct

an adequate and detailed secondary review of the financial statements to identify the presentation error.

Effect of Condition

Pinnacles Prep did not meet its annual financial statement reporting requirement in accordance with RCW 28A.710.040. Therefore, we do not accept the fiscal year ended August 31, 2022, financial statement audit as meeting Pinnacles Prep’s audit requirement under state law.

Recommendation

We recommend Pinnacles Prep dedicate resources necessary to ensure management and staff understand the financial reporting requirements for public charter schools in Washington. Further, we recommend Pinnacles Prep strengthen its internal controls by conducting an effective, independent review of the financial statements to ensure they meet all reporting requirements.

Charter Public School’s Response

Pinnacles Prep agrees with the recommendation and has resolved this matter by obtaining a Governmental Accounting Standards Board (GASB) format audit for fiscal year 2022-2023. All audits moving forward will also be in GASB format.

Auditor’s Remarks

We appreciate Pinnacles Prep commitment to resolve this finding and thank the Charter Public School 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.710.020, Charter schools —Parameters.

RCW 28A.710.040, Charter schools—Requirements.

RCW 43.09.260, Local government accounting—Examination of local governments—Reports—Action by attorney general.

Accounting Manual for Public School Districts in the State of Washington

2020 Pinnacles Prep Charter School Contract

RELATED REPORTS

Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's report will be available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CHARTER PUBLIC SCHOOL

Pinnacles Prep Charter School, located in Chelan County, provided educational services to approximately 168 students in grades 6-8 during the 2022-2023 school year.

The Charter Public School is a 501(c)(3) nonprofit corporation established under RCW 28A.710.020 and it is governed by a five to fifteen-member appointed Board of Directors. The Board establishes policies for the Charter Public School according to the terms of a renewable five-year charter contract executed under RCW 28A.710.160.

Pinnacles Prep Charter School is authorized by the Washington State Charter School Commission. It was established by a five-year contract effective August 24, 2021 and terminating on August 24, 2026.

The Charter Public School received approximately \$2.3 million in state and federal funding for fiscal year 2023. The Charter Public School operates in one building and employs approximately 35 employees.

Contact information related to this report	
Address:	Pinnacles Prep 504 S. Chelan Avenue Wenatchee, WA 98801
Contact:	Sean Koester
Telephone:	(509) 888-6464
Website:	www.pinnaclesprep.org/

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Pinnacles Prep 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