



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Examination Report

Eatonville School District No. 404

Pierce County

For the period July 1, 2012 through June 30, 2013

Published April 13, 2015

Report No. 1014011





Washington State Auditor Troy Kelley

April 13, 2015

Board of Directors
Eatonville School District No. 404
Eatonville, Washington

Marcie Frost, Director
Department of Retirement Systems
Olympia, Washington

Examination Report

The Washington State Department of Retirement Systems (DRS) administers eight public retirement systems for state and local government employees, with 15 different plans within those systems. These systems serve nearly 700,000 current and former public employees. Both public employers and their employees contribute to the retirement plans and the amounts they contribute are calculated as a percentage of the employee's pay.

Government entities are responsible for reporting accurate and complete pensionable wage and contribution information to DRS in accordance with the applicable retirement plan's requirements set forth in Title 415 of the Washington Administrative Code. The plan's actuarially derived pension liabilities are dependent on demographic data of the plan participants, which is referred to as census data. Significant elements of census data may include: date of birth; date of hire or years of service; marital status; eligible compensation; class of employee; gender; date of termination or retirement; spouse date of birth; and employment status (active, inactive, or retired).

Please find attached our examination report on the Eatonville School District No. 404, in which we state that we were unable to form conclusions regarding these matters due to the District's inability to provide information supporting significant elements of census data.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

INDEPENDENT ACCOUNTANT'S REPORT

Eatonville School District No. 404

Pierce County

July 1, 2012 through June 30, 2013

Board of Directors
Eatonville School District No. 404
Eatonville, Washington

Marcie Frost, Director
Department of Retirement Systems
Olympia, Washington

We were engaged to examine the Eatonville School District No. 404's management's assertion that pensionable wages and contributions reported to the Washington State Department of Retirement Systems (DRS) for the year ended June 30, 2013 are accurate and complete in accordance with applicable retirement plan requirements set forth in Title 415 of the Washington Administrative Code. The District's management is responsible for the assertion.

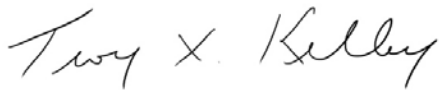
The District did not retain sufficient documentation in support of payroll transactions to allow us to evaluate the accuracy and completeness of pensionable wages and contributions reported to DRS for the year ended June 30, 2013. The District no longer uses the financial accounting software program it used for this period and was unable to access the payroll data stored in this program.

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether management's assertion above that pensionable wages and contributions reported to DRS for the year ended June 30, 2013, is fairly stated, in all material respects, based on the applicable retirement plan requirements set forth in Title 415 of the Washington Administrative Code.

In connection with our engagement to examine management's assertion in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the District's pensionable wages and contributions reported to DRS or management's assertion thereon; and any other instances that warrant the attention of those charged with governance, and noncompliance with provisions of contracts or grant agreements, and abuse that have a material effect on the District's pensionable wages and contributions reported to DRS or management's assertion thereon. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We were engaged to perform our examination to express an opinion on management's assertion and not for the purpose of expressing an opinion on the internal control over compliance and other matters; accordingly, we express no such opinions.

Our engagement to examine management's assertion, as discussed above, disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management, are described in the accompanying Schedule of Findings and Responses as Finding 2013-001. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on management's assertion, other instances of noncompliance or other matters may have been identified and reported herein.

The District's response to the findings identified in our engagement to examine management's assertion is described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the procedures applied in the engagement to examine management's assertion and, accordingly, we express no opinion on the response.

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

March 31, 2015

SCHEDULE OF FINDINGS AND RESPONSES

Eatonville School District No. 404

Pierce County

July 1, 2012 through June 30, 2013

2013-001 The District did not retain access to payroll information required to support the accuracy and completeness of pensionable wages and contributions reported to the Department of Retirement Systems

Background

The District is required to retain access to payroll records to support the pensionable wages and contributions reported to the Washington State Department of Retirement Systems (DRS) in accordance with state law (RCWs 41.40 and 40.14). We needed that information to conduct our attestation engagement at the District. The District made an effort to obtain the needed information from its prior accounting system but was unable to do so.

Description of Condition

The District no longer uses the financial accounting software program that it used during the period covered by our attestation engagement. The District was unable to access the payroll data required for our engagement that was stored in this program.

Cause of Condition

The District's staff thought they would be able to access the financial data stored in the previous accounting software program. Since they believed they would be able to access this prior period payroll data they did not store the data in other formats.

Effect of Condition

The District was unable to provide us the support for the pensionable wages and contributions reported to DRS. Therefore, we are unable to evaluate and reach a conclusion on the adequacy and completeness of pensionable wages and contributions the District reported to DRS.

The District is unable to access these public records.

Recommendation

We recommend the District continue to work to obtain access to the payroll data that was stored on its prior financial accounting software program.

We also recommend the District retain records according to the records retention schedules prescribed by the Local Records Committee.

District's Response

The District concurs with the audit results. The District underwent a software conversion in early 2014, switching software companies. We worked with both companies to have the data and software access from the old system hosted on servers provided by the new company. It was our understanding that our access would not be lost and we would be able to fully access the old system and all of the reports. However, something did not work as it was supposed to, and our access was temporarily lost. We have been working with both companies to ensure access to the software on the re-hosted servers as well as user access within the system and expect to have full access restored very soon.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the attestation engagement.

Applicable Laws and Regulations

RCW 41.40.010, Definitions, states in part:

(8)(a) "Compensation earnable" for plan 1 members, means salaries or wages earned during a payroll period for personal services and where the compensation is not all paid in money, maintenance compensation shall be included upon the basis of the schedules established by the member's employer.

(i) "Compensation earnable" for plan 1 members also includes the following actual or imputed payments, which are not paid for personal services:

(A) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered

compensation earnable and the individual shall receive the equivalent service credit;

(B) If a leave of absence is taken by an individual for the purpose of serving in the state legislature, the salary which would have been received for the position from which the leave of absence was taken, shall be considered as compensation earnable if the employee's contribution is paid by the employee and the employer's contribution is paid by the employer or employee;

(C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(D) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(E) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(F) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

(ii) "Compensation earnable" does not include:

(A) Remuneration for unused sick leave authorized under RCW 41.04.340, 28A.400.210, or 28A.310.490;

(B) Remuneration for unused annual leave in excess of thirty days as authorized by RCW 43.01.044 and 43.01.041.

(b) "Compensation earnable" for plan 2 and plan 3 members, means salaries or wages earned by a member during a payroll period for personal services, including overtime payments, and shall include wages and salaries deferred under provisions established pursuant to sections 403(b), 414(h), and 457 of the United States Internal Revenue Code, but shall exclude nonmoney maintenance compensation and lump sum or other payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, or any form of severance pay.

"Compensation earnable" for plan 2 and plan 3 members also includes the following actual or imputed payments, which are not paid for personal services:

(i) Retroactive payments to an individual by an employer on reinstatement of the employee in a position, or payments by an employer to an individual in lieu of reinstatement in a position which are awarded or granted as the equivalent of the salary or wage which the individual would have earned during a payroll period shall be considered compensation earnable to the extent provided above, and the individual shall receive the equivalent service credit;

(ii) In any year in which a member serves in the legislature, the member shall have the option of having such member's compensation earnable be the greater of:

(A) The compensation earnable the member would have received had such member not served in the legislature; or

(B) Such member's actual compensation earnable received for nonlegislative public employment and legislative service combined. Any additional contributions to the retirement system required because compensation earnable under (b)(ii)(A) of this subsection is greater than compensation earnable under (b)(ii)(B) of this subsection shall be paid by the member for both member and employer contributions;

(iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and 72.09.240;

(iv) Compensation that a member would have received but for a disability occurring in the line of duty only as authorized by RCW 41.40.038;

(v) Compensation that a member receives due to participation in the leave sharing program only as authorized by RCW 41.04.650 through 41.04.670; and

(vi) Compensation that a member receives for being in standby status. For the purposes of this section, a member is in standby status when not being paid for time actually worked and the employer requires the member to be prepared to report immediately for work, if the need arises, although the need may not arise.

RCW 40.14.070 Destruction, disposition, donation of local government records – Preservation for historical interest – Local records committee, duties – Records retention schedules – Sealed records, states in part:

(2)(a) Except as otherwise provided by law, no public records shall be destroyed until approved for destruction by the local records committee.

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov