



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

Rochester School District No. 401

Thurston County

For the period September 1, 2012 through August 31, 2014

Published April 20, 2015

Report No. 1014043





Washington State Auditor Troy Kelley

April 20, 2015

Board of Directors
Rochester School District No. 401
Rochester, 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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In the 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 the areas we examined.

About the audit

This report contains the results of our independent accountability audit of Rochester School District No. 401 from September 1, 2012 through August 31, 2014.

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 Act
- General revenue and expenditures
- Financial condition
- Enrollment reporting
- Staff mix reporting
- Associated Student Body
- Credit cards
- Key system controls:
 - Payroll
 - Cash receipting
 - General disbursements
 - Small and attractive assets
- Procurement – purchases

STATUS OF PRIOR AUDIT FINDINGS

The status of findings contained in the prior years' audit reports of Rochester School District No. 401 is provided below:

1. The District's inadequate internal controls over Associated Student Body activities puts public funds at risk.

Report No. 1009245, dated March 11, 2013

Background

Districts may use Associated Student Body (ASB) funds for optional and non-curricular activities that are cultural, athletic, recreational or social in nature, or to otherwise support the activities and programs of ASBs. The District's ASB collected \$272,916 and \$297,390 in fiscal years 2011 and 2012, respectively.

In the past four audits, we noted concerns with the District's internal controls over ASB activities and made recommendations to District management on how to strengthen them, such as following the fundraising requirements in the Washington Association of School Business Officials (WASBO) Manual.

Our current audit noted the following conditions continued despite our prior audit recommendations:

- Fundraising revenues were not accurately tracked; therefore we were unable to reconcile the fundraiser sales to deposits to ensure all funds were deposited intact.
- For all fundraisers reviewed District staff did not complete the expected revenue analysis or perform inventories of merchandise as required by the WASBO Manual. Without performing these reconciliations the District cannot ensure all funds and merchandise is accounted for, or detect a loss if one were to occur.

Status

Although the District has made improvements in this area, we made minor recommendations during the course of the audit to continue improving internal controls.

RELATED REPORTS

Financial

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report issued in April 2015, which includes the District's financial statements. That report 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 Federal Summary section of the financial statement and single audit report issued in April 2015. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Rochester School District No. 401 provides educational services to approximately 2,150 students in kindergarten through 12th grade. It has one high school, one middle school, one elementary school, a primary school for kindergarten through second grade and one alternative high school.

A five-member Board of Directors, elected to staggered, four-year terms, governs the District. The Superintendent is appointed by the Board and administers day-to-day operations as well as its approximately 250 employees. The District has an annual operating budget of \$21.4 million.

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 Rochester School District No. 401 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.

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