



Washington State Auditor's Office

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Accountability Audit Report

White Pass School District No. 303

Lewis County

For the period September 1, 2011 through August 31, 2014

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Washington State Auditor

May 28, 2015

Board of Directors
White Pass School District No. 303
Randle, 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,

JAN M. JUTTE, CPA, CGFM
ACTING 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 the areas we examined.

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

We recommended the District establish District wide policies and procedures over payroll.

We also recommended the District establish internal controls to ensure accurate staff mix reporting.

These recommendations were included in our report as findings.

We also noted certain matters that we communicated to District management in a letter dated May 13, 2015, related to the Open Public Meetings Act, cash receipting and procurement. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of White Pass School District No. 303 from September 1, 2011 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:

- General revenues and expenditures
- Open Public Meetings Act
- Financial condition
- Payroll
- Disbursements
- Cash receipting
- Procurement - public works
- Apportionment - enrollment
- Apportionment - staff mix

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2014-001 The District's inadequate controls over payroll resulted in unsupported payments totaling \$202,523.

Description of Condition

The District processes payroll for approximately 140 full-time, part-time and substitute employees. The 2012, 2013 and 2013 gross payroll expenditures were approximately \$2,913,000, \$2,817,000 and \$2,894,000, respectively. Hourly or classified employees are paid monthly based on handwritten monthly timesheets or contracts. Salaried or certificated employees are paid based on contracts.

Our audit identified a total of \$217,446 in payroll costs without documented approval and \$202,523 in costs that were unsupported. Specifically, eight employees did not have support for additional pay, there were no supplemental contracts for extracurricular positions, two certificated staff members were not paid in accordance with their contract and two certificated staff members did not have contracts.

Cause of Condition

The District does not have adequate policies and procedures over payroll.

The District does not keep adequate documentation to support contract pay, supplement contract pay, training pay and extra days.

Effect of Condition

The District did not have adequate supporting documentation for payroll payments totaling \$202,523.

Inadequate internal controls increase the risk of a loss of public funds and impair the District's ability to prevent or detect errors and irregularities in a timely manner, if at all.

Recommendation

We recommend the District:

- Establish District wide policies and procedures over payroll.
- Retain timesheets and contracts to support all payroll expenditures.

District's Response

While the District was entering contracts into the Skyward system in order to distribute compensation to an employee we were not providing a hard copy signed by the employee and Superintendent that was to be kept in the personnel file. To correct this oversight in the future and establish and maintain quality internal controls, the following will be implemented:

- There will be no contracts entered into the system without a hard copy contract on file that has been signed by both the employee as well as the Superintendent. This will help ensure that there is no compensation being administered without a contract of approval. This will be the policy for both Base Contracts as well as Supplemental Contracts.*
- Once a contract has been approved and signed by both the employee and Superintended and entered into the Skyward system, a hard copy will be placed in the employees personnel file.*
- In addition, a Contract Binder will be kept by the Business Manager and housed in the Business Managers office. This binder will keep the following:*
 - A master list of all Base and Supplemental Contracts.*
 - Contacts will all have an "Entered By" and "Reviewed By" signature/initial line. This will ensure that the contract was not only approved by the Superintendent and the Employee but it was then entered by the designated District Office employee and then reviewed by a second designated District Office employee. This will establish consistent and effective internal controls.*
 - A screen shot/report from the Skyward system, indicating the contracts entered for each employee will be printed and stapled to the signed contracts. This will provide another layer of detailed internal controls as the Skyward Report will need to match the signed hard copy contract.*

Note – This Binder will not replace the contracts that will be kept in each individual personnel file but it will serve as a second cross reference and quick access to review approved and entered contracts. All signatures of approvals and actions will be required on every document housed within this Contract Binder.

Auditor's Remarks

We appreciate the District's response and recognize that the District is committed to ongoing quality improvement.

We also wish to thank District management for their cooperation and assistance during our audit. We look forward to working with the District on this issue and will follow up on it during the next audit.

Applicable Laws and Regulations

Accounting Manual for School Districts in the State of Washington, Chapter III, Internal Control Structure, states in part:

Basic Internal Control Requirements

Each school board is responsible for establishing and maintaining an effective system of internal control throughout the school district.

An internal control system should provide reasonable assurance that a school district will accomplish its educational objectives. The concept of reasonable assurance recognizes that the cost of an internal control activity should not exceed the benefit derived from it. Reasonable assurance equates to a satisfactory level of confidence given considerations of costs, benefits, and risks.

School district management should identify and analyze the risks in achieving educational objectives and determine how to most effectively and efficiently manage those risks. Management defines the level of risk that the school district is willing to accept and strives to maintain risks within those levels.

Each school district should adopt methods to assess risk and review control activities. The methods developed should address each school district's specific needs.

Local Government Common Records Retention Schedule, GS50-03E-04, Time Cards/Time Sheets, minimum 4 years. Time records subject to federal audit should be retained per federal requirements.

Local Government Common Records Retention Schedule, GS50-01-11, Contract and Agreements – General. Retain for 6 years after termination or expiration of instrument then destroy.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2014-002 White Pass School District incorrectly reported teacher experience and credits to the Office of Superintendent of Public Instruction.

Background

The Office of Superintendent of Public Instruction (OSPI) establishes the rules and provides instructions on how school districts should report teacher education and experience, also known as staff mix, for state funding. Staff mix is a primary component of apportionment funding; the years of experience and the education of the District's certificated staff determines placement on the State Legislative Evaluation and Accountability Program (LEAP) schedule. The District receives funding from the state based in part on its teachers' placement on that schedule.

In the 2013-14 school year, the District received approximately \$2.78 million in combined state enrollment and staff mix funding

Description of Condition

We identified errors that affected certificated staff members' LEAP placements, which may affect the amount of funding the District receives for staff mix. The District errors we identified were:

- Two instructors had miscalculations in years of experience
- One instructor file was missing documentation of experience
- Five instructor files were missing approvals of academic and/or in-service credits
- Three instructor files were missing college transcripts and/or records of in-service verification forms
- Two instructor's reported credits did not include all earned credits
- One instructor file was missing a college transcript establishing the date a degree was earned

We examined fiscal years 2012-2014 and determined LEAP and non-Leap errors as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Number of files examined	5	5	4
LEAP Errors	3	4	3
Non-LEAP Errors	1	0	0

Cause of Condition

The District did not maintain adequate documentation and approval processes for staff mix reporting.

Effect of Condition

The District incorrectly reported staff mix information to OSPI for the 2012, 2013, and 2014 fiscal years. The inappropriate amount of funding will be identified during audit resolution.

Recommendation

We recommend the District implement controls to:

- Ensure reported experience for part time staff is properly calculated.
- Report all earned credits.
- Ensure credits and experience are adequately documented.
- Approve all credits as required by regulations.

District's Response

The District will review staff files to locate and correct errors in relevance to Staff Mix. Internal Controls are essential to ensuring accuracy. Moving forward the following changes will be implemented to ensure accuracy in Staff Mix reporting:

- *Every May Certificated staff will be provided with a copy of eh Salary Schedule and asked to indicate on that schedule where they expect to be on the scale for the upcoming year. This will be used as a guide and double check for accuracy as to where we have a Certificated Staff member placed on the Salary Schedule.*
- *Once credits have been entered into the system by the Business Manager a hard copy (paper printout) of the SIRS report will be printed and the following will take place:*

- *A copy will be provided to the Superintendent for review and signature of approval.*
- *Once the copy of the SIRS report has been signed by the “Entered By” party and the “Reviewed By” party, this signed document will then be placed in the employee file.*
- *A summary sheet from the Skyward system will be printed once the Credits and Clock hours have been entered by the Business Manager and a copy of this summary will be provided to each individual employee for them to review.*
- *A Binder will be kept to house SIRS reports that have been signed by the “Entered By” and “Reviewed By” district employees.*

Auditor’s Remarks

We again appreciate the District’s response and recognize that the District is committed to ongoing quality improvement.

We also look forward to working with the District on this issue and will follow up on it during the next audit.

Applicable Laws and Regulation

WAC 392-121-280 provides guidance for staff mix documentation requirements.

School districts shall have documentation on file and available for review which substantiates each certificated instructional employee's placement on LEAP salary allocation documents. The minimum requirements are as follows:

(1) Districts shall document the date of awarding or conferring of the highest degree including the date upon which the degree was awarded or conferred as recorded on the diploma or transcript from the registrar of the accredited institution of higher education.

(a) If the highest degree is a master's degree, the district shall also document the date of awarding or conferring of the first bachelor's degree.

(b) If the degree was awarded by an institution which does not confer degrees after each term, and all degree requirements were completed at a time other than the date recorded on the diploma or transcript, a written statement

from the registrar of the institution verifying a prior completion date shall be adequate documentation.

(c) If the degree program was completed in a country other than the United States documentation must include a written statement of degree equivalency for the appropriate degree from a foreign credentials' evaluation agency approved by the office of superintendent of public instruction.

(2) Districts shall document academic credits by having on file a transcript from the registrar of the accredited institution of higher education granting the credits. For purposes of this subsection:

(a) An academic credit is deemed "earned" at the end of the term for which it appears on the transcript: Provided, That a written statement from the registrar of the institution verifying a prior earned date may establish the date a credit was earned;

(b) Washington state community college credits numbered one hundred and above are deemed transferable for purposes of WAC 392-121-255(4) subject to the limitations of that same subsection;

(c) Credits are not deemed "earned" at an institution of higher education which transfers-in credits. Such credits must be documented using a transcript from the initial granting institution and are subject to all the limitations of WAC 392-121-255;

(d) If the credits were completed in a country other than the United States, documentation must include a written statement of credit equivalency for the appropriate credits from a foreign credentials' evaluation agency approved by the office of superintendent of public instruction; and

(e) For credits earned after September 1, 1995, districts shall document that the course content meets one or more of the criteria of WAC 392-121-262(1). At a minimum, such documentation must include a dated signature of the immediate principal, supervisor, or other authorized school

district representative and must be available to the employee's future employers.

(3) Districts shall document in-service credits:

(a) By having on file a document meeting standards established in WAC 181-85-107; and

(b) For credits earned after September 1, 1995, districts shall document that the course content meets one or more of the criteria of WAC 392-121-262(1). At a minimum, such documentation must include a dated signature of the immediate principal, supervisor, or other authorized school district representative and must be available to the employee's future employers.

(4) Districts shall document nondegree credits.

(a) For vocational/career and technical education educator training credits pursuant to WAC 392-121-259(3) districts shall have on file a document meeting standards established in WAC 181-85-107 and evidence that the training was authorized pursuant to WAC 181-77-003 (2), (9), or (12).

(b) For credits calculated from converted occupational experience pursuant to WAC 392-121-259(3) districts shall have on file documents which provide:

(i) Evidence that the occupational experience meets the requirements of WAC 181-77-003(7);

(ii) Evidence of the individual's actual number of hours of employment for each year including dates of employment; and

(iii) The district calculation of converted credits pursuant to WAC 392-121-259(3).

(c) For credits earned after September 1, 1995, districts shall document that the course content meets one or more of the criteria of WAC [392-121-262\(1\)](#). At a minimum, such documentation must include a dated signature of the immediate principal, supervisor, or other authorized school

district representative and must be available to the employee's future employers.

(5) Districts shall document certificated years of experience as follows:

(a) For certificated years of experience obtained and reported on Report S-275 prior to the 1994-95 school year districts shall have on file documents that provide evidence of employment including dates of employment.

(b) For certificated years of experience reported on Report S-275 for the first time after the 1993-94 school year districts shall have on file:

(i) The total number of hours, or other unit of measure, per year for an employee working full-time with each employer;

(ii) The number of hours, or other unit of measure (worked by the employee), per year and dates of employment with each employer, including paid leave and excluding unpaid leave: Provided, That documentation of hours in excess of one full-time certificated year of experience in any twelve-month period is not required;

(iii) The quotient of the hours, or other unit of measure, determined in (b)(ii) of this subsection divided by the hours, or other unit of measure, in (b)(i) of this subsection rounded to two decimal places for each year;

(iv) The name and address of the employer;

(v) For those counting out-of-district experience pursuant to WAC 392-121-264 (1)(a), evidence whether or not the position required professional education certification pursuant to WAC 392-121-264 (1)(a)(ii);

(vi) For those counting experience pursuant to WAC 392-121-264 (1)(b), a brief description of the previous employment which documents the school

district's decision that the position was comparable to one requiring certification in the Washington school districts;

(vii) For those counting management experience pursuant to WAC 392-121-264 (1)(e), evidence that the experience meets the requirements of WAC 181-77-003(6);

(viii) For those counting experience (for educational staff associates) pursuant to WAC 392-121-264 (1)(f), evidence that the previous employment meets the requirements in the applicable subsections of WAC 392-121-264 (1)(f).

(6) Any documentation required by this section may be original or copies of the original: Provided, That each copy is subject to school district acceptance or rejection.

(7) The falsification or deliberate misrepresentation, including omission of a material fact concerning degrees, credits, or experience by an education practitioner as defined in WAC 181-87-035 shall be deemed an act of unprofessional conduct pursuant to WAC 181-87-050. In such an event the provisions of chapters 181-86 and 181-87 WAC shall apply.

WAC 392-121-262 states:

Credits earned after September 1, 1995, must satisfy the following criteria in addition to those found in WAC 392-121-255, 392-121-257, and 392-121-259:

(1) At the time credits are recognized by the school district the content of the course must meet at least one of the following:

(a) It is consistent with a school-based plan for mastery of student learning goals as referenced in RCW 28A.655.110, the annual school performance report, for the school in which the individual is assigned;

(b) It pertains to the individual's current assignment or expected assignment for the following school year;

(c) It is necessary for obtaining endorsement as prescribed by the Washington professional educator standards board;

(d) It is specifically required for obtaining advanced levels of certification;

(e) It is included in a college or university degree program that pertains to the individual's current assignment or potential future assignment as a certificated instructional staff;

(f) It addresses research-based assessment and instructional strategies for students with dyslexia, dysgraphia, and language disabilities when addressing learning goal one under RCW 28A.150.210, as applicable and appropriate for individual certificated instructional staff; or

(g) Beginning in the 2011-12 school year, it pertains to the revised teacher evaluation system under RCW 28A.405.100, including the professional development training provided in RCW 28A.405.106.

(2) Credits which have been determined to meet one or more of the criteria in subsection (1) of this section shall continue to be recognized in subsequent school years and by subsequent school district employers; and

(3) Credits not recognized in a school year may be recognized in a subsequent school year if there is a change in the qualifying criteria such as a change in professional educator standards board rules, a change in the district's strategic plan, a change in the school-based plan for the

school in which the individual is assigned, a change in the individual's assignment, or a change in the individual's employer.

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 May 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 May 2015. That report includes a federal finding regarding inadequate internal controls and noncompliance with reporting and verification requirements for the Child Nutrition Cluster. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

White Pass School District No. 303 provides public school services to approximately 422 students in prekindergarten through 12th grade in Lewis County. The District has approximately 30 certificated and 27 classified employees that provide instructional support, special education, food, maintenance, janitorial, transportation, office and nursing services.

An elected, five-member Board of Directors is the primary policy-making body, exercising budgetary and financial control for the District. Board Members serve staggered, four-year terms. The Board appoints a Superintendent to oversee the District's day-to-day operations and carries out the decisions made by the Board. The District operated on annual budgets of \$5.1 million in 2012, \$5.3 million in 2013 and \$5.4 million in 2014.

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 White Pass School District No. 303 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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