



Washington State Auditor's Office

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Accountability Audit Report

North Kitsap School District No. 400

Kitsap County

For the period September 1, 2013 through August 31, 2014

Published May 28, 2015

Report No. 1014297





Washington State Auditor

May 28, 2015

Board of Directors
North Kitsap School District No. 400
Poulsbo, 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 noted certain matters that we communicated to District management in a letter dated May 14, 2015, related to Associated Student Body fundraising activities. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of North Kitsap School District No. 400 from September 1, 2013 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:

- Cash receipting
- Donations/fundraising
- Third party cash receipting
- Financial condition
- General disbursements
- Teacher education and experience (staff mix) reporting
- Associated Student Body
- Imprest funds

STATUS OF PRIOR AUDIT FINDINGS

The status of findings contained in the prior years' audit reports of North Kitsap School District No. 400 is provided below:

1. The District's internal controls over Associated Student Body activities and other cash handling procedures are insufficient to safeguard against loss and noncompliance with laws and regulations.

Report No. 1011975, dated May 21, 2014

Background

In the prior audit, we found the District did not have adequate internal controls over Associated Student Body (ASB) activities and cash handling procedures.

The District did not adequately track inventory for two tested fundraisers performed at Kingston High School, resulting in approximately \$20,000 of inventory that was unaccounted for.

The District did not ensure that all purchases were made by authorized District personnel and shipped to a District address. Our audit identified two purchases made by a non-District employee using District funds, and shipped to a personal address.

The District did not have adequate controls in place at the Kingston High School student store or the District pool to ensure that goods and services were paid for and that all receipted funds were received by the District. The Kingston High School student store did have controls in place to ensure that all coffee sales were properly receipted. The District pool did not have controls in place to ensure that all swim passes distributed were properly receipted, or that swim passes presented for payment were valid.

Status

The condition noted during the 2013 audit regarding ASB fundraising activities has been partially resolved. At Kingston High School, we found that fundraiser inventory was adequately tracked and reconciled, and that fines were appropriately assessed for missing inventory. However, we noted exceptions related to two fundraisers conducted at North Kitsap High School, which were reported to the District in the form of a Management Letter.

The condition noted during the 2013 audit regarding controls over purchases has been resolved. Kingston High School has revised its ASB policy to specifically disallow purchases

to be made by non-District employees. The District Office has multiple levels of controls in place to ensure that purchases are made by authorized District personnel and shipped to a District address.

The conditions noted during the 2013 audit regarding cash handling procedures at the Kingston High School student store and the District pool have been resolved. At the student store, the District implemented a system for coffee sales that ensures all coffee sales are rung into the cash register. At the District pool, it implemented a daily reconciliation process between the passes and register receipts and improved the passes themselves to allow confirmation of their validity when presented for payment.

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 programs, which are listed in the Federal Summary section of the financial statement and single audit report issued in May 2015. That report includes federal findings regarding internal controls over compliance reported. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

North Kitsap School District No. 400 is located on the northern tip of the Kitsap Peninsula, which includes the communities of Poulsbo, Kingston, Hansville, Indianola and Suquamish. The District provides basic education and related services to approximately 6,065 students in kindergarten through 12th grade. The District operates six elementary schools, two middle schools, two high schools, the Spectrum Community School, West Sound Vocational Skills Center and the Running Start program with Olympic College.

An elected, five-member Board of Directors governs the District. The Board appoints a Superintendent to oversee the District's daily operations as well as its 860 employees. For fiscal year 2014, the District operated on an annual budget of approximately \$73 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 North Kitsap School District No. 400 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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