



Washington State Auditor's Office

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Accountability Audit Report

Waterville School District No. 209

Douglas County

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

Published July 2, 2015

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Washington State Auditor's Office

July 2, 2015

Board of Directors
Waterville School District No. 209
Waterville, 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,

A handwritten signature in cursive script, reading "Jan M. Jutte".

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 over Associated Student Body (ASB).

We recommended the District improve internal controls over ASB activities to ensure compliance with state laws and regulations. These improvements should include:

- Providing training to staff and students involved in ASB fundraisers to ensure that documentation is prepared and that related receipts are reconciled.
- Reconciling sales reports from the student store's cash register to related cash deposits, and using inventories to both support cash deposits as well as establish accountability for store merchandise.
- Retaining all ASB Student Council minutes and ensuring that formal approval of activities, purchases, and prior minutes are clearly documented.

These recommendations were included in our report as a finding.

About the audit

This report contains the results of our independent accountability audit of Waterville School District No. 209 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:

- Teacher education and experience (staff mix) reporting
- Associated Student Body

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2014-001 The District's internal controls over Associated Student Body activities are insufficient to safeguard against potential loss and noncompliance with laws and regulations.

Description of Condition

Waterville School District No. 209's Associated Student Body (ASB) program collected revenue of \$66,422 in 2012, \$71,099 in 2013 and \$75,198 in 2014.

We reviewed ASB procedures at Waterville High School and Middle School and identified the following issues:

Fundraisers:

We reviewed all 19 of the District's ASB fundraisers for the 2013 and 2014 fiscal years and found missing or inadequate fundraiser documentation. Specifically, we found that analyses of expected revenues, activity request forms, formal fundraiser approvals, and post-event reconciliations occurred for less than half of the fundraisers, including no reconciliations for any of the 10 events in the 2013 fiscal year.

Student Store:

The store has several important processes in place; however, these controls appear to be used without understanding their complete purpose:

- Inventories are taken to determine what was sold and what remains, but are not used to establish an expectation for the amount of deposits.
- The store has a cash register, but it is not programmed and is used more as a cash box. While cash is counted by two students, no sales report is printed from the register against which to reconcile deposits.

Minutes:

We reviewed the Student Council Minutes for the 2013 and 2014 fiscal years and found that they do not clearly state the formal approval of activities and purchases, nor do they specifically note that the previous minutes have been reviewed and are being approved. We also found that the minutes from December 2012 through February 2013 were missing and could not be located.

Cause of Condition

The District has not allocated the necessary resources and oversight to establish adequate internal controls over ASB activities or to ensure that all ASB activities are handled in accordance with state laws and regulations, and are adequately supported and monitored.

Effect of Condition

Inadequate internal controls over ASB activities increase the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner, if at all.

Recommendation

We recommend the District improve internal controls over ASB activities to ensure compliance with state laws and regulations. These improvements should include:

- Providing training to staff and students involved in ASB fundraisers to ensure that documentation is prepared and that related receipts are reconciled.
- Reconciling sales reports from the student store's cash register to related cash deposits, and using inventories to both support cash deposits as well as establish accountability for store merchandise.
- Retaining all ASB Student Council Minutes and ensuring that formal approval of activities, purchases, and prior minutes are clearly documented.

District's Response

Waterville School District has taken steps to strengthen internal controls and will continue to provide training to staff and students. The District has a full understanding of the issue and has implemented measures to ensure that it will not happen again.

Auditor's Remarks

We thank the District for its assistance during the audit. District staff was helpful and tried to obtain documentation. Staff members were also interested in learning and applying good internal controls. We look forward to evaluating the District's corrective action during our next accountability audit.

Applicable Laws and Regulations

RCW 28A.400.030 Superintendent's duties, states in part:

In addition to such other duties as a district school board shall prescribe the school district superintendent shall:

(3) Keep accurate and detailed accounts of all receipts and expenditures of school money.

Accounting Manual for Public School Districts in the State of Washington, September 2013, Chapter 3 Accounting Guidelines, Internal Control Structure, states in part:

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

Further, an internal control system; (should) ensure that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

WAC 392-138-014 Accounting procedures and records, states in part:

Associated student body public and nonassociated student body private moneys shall be accounted for as follows:

(1) Accounting methods and procedures shall comply with such rules and regulations /or guidelines as are developed by the state auditor and the superintendent of public instruction and published in the Accounting Manual for Public Schools in the State of Washington and/or other publications;

(2) Whenever two or more associated student bodies exist within a school district, the accounting records shall be maintained in such a manner as to provide a separate accounting for the transactions of each associated student body in the associated student body program fund;

(3) The fiscal and accounting records of associated student body program moneys shall constitute public records of the school district, shall be available for examination by the state auditor, and shall be preserved in accordance with statutory provisions governing the retention of public records

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report issued in July 2015, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Waterville School District No. 209, located in Douglas County, serves approximately 265 students in kindergarten through 12th grade. The District has one combined high school and middle school as well as one elementary school.

An elected, five-member Board of Directors governs the District. Board Members serve staggered, four-year terms. The Board appoints a Superintendent who is responsible for oversight of the District's daily operations as well as its 50 employees. Most of the District's funding comes from state apportionments. The District's annual operating budget was approximately \$4.7 million in fiscal years 2013 and 2014.

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Information current as of report publish date.

Audit history

You can find current and past audit reports for Waterville School District No. 209 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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