



# Washington State Auditor's Office

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## Accountability Audit Report

# La Conner School District No. 311

Skagit County

For the period September 1, 2014 through August 31, 2015

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## Washington State Auditor's Office

April 25, 2016

Board of Directors  
La Conner School District No. 311  
La Conner, 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 blue ink, reading "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM  
DEPUTY 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:

- Strengthen internal controls to ensure adequate monitoring and review of credit card charges.
- Update policies and procedures to clearly define allowable expenses and to obtain adequate documentation of all expenses.

These recommendations were included in our report as a finding.

### About the audit

This report contains the results of our independent accountability audit of La Conner School District No. 311 from September 1, 2014 through August 31, 2015.

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:

- Credit cards
- Payroll
- Open Public Meetings Act
- Travel
- Small and attractive assets
- IT security

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2015-001    The District lacks adequate internal controls over payments to ensure compliance with state laws and District policies and procedures to safeguard public funds.**

#### ***Background***

The District has two credit cards; one issued to a District employee and one to the District's Business Office. During the 2014-2015 school year, the District made \$50,700 in purchases with these credit cards. Under district policy, credit cards are to be used for district purchases, acquisitions, and authorized travel expenditures. All purchases are required to be supported with itemized receipts or invoices.

Our audit of the 2010-2011 school year identified an audit finding for unallowable and inadequately documented purchases with credit cards totaling \$20,623. It was recommended for the District to establish policies to clearly define allowable charges and require adequate documentation to support purchases.

Based on risk of inappropriate expenditures, in the current audit, we selected transactions from the card held by the District employee. We examined these transactions for compliance with state law and District policy and found the District employee used the card for unallowable, unsupported and personal expenditures totaling \$6,785.

#### ***Description of Condition***

An employee made personal purchases and other unallowable or unauthorized purchases. The employee was also permitted to continue to use their card while disallowed charges were outstanding. This is in violation of state law, RCW 42.24.115(3).

#### ***Cause of Condition***

The District does not have adequate monitoring and review of purchases made on the District's credit card issued to the employee. The employee was also not required to submit itemized receipts or invoices for all purchases made.

District policy does not define when the purchase of meals is allowable and what documentation is required to support these purchases.

## ***Effect of Condition***

The District paid:

- \$1,589 in personal expenses. Purchases were caught by the employee and the employee informed the district of the error. These charges have since been repaid, however the employee continued to use the credit card for a period of five months prior to repayment of personal charges.
- \$2,458 in food purchases without a policy allowing for these types of purchases and inadequate documentation of the business purpose.
- \$2,738 in chaperone travel expenses related to a trip to Finland with inadequate documentation of the business purpose and inadequate documentation of expense pre-approval by the Board. Expenses were related to a student exchange program where students spent two weeks attending school in a foreign country.

## ***Recommendation***

We recommend the District:

- Strengthen internal controls to ensure adequate monitoring and review of credit card charges.
- Update policies and procedures to clearly define allowable expenses and to obtain adequate documentation of all expenses.

## ***District's Response***

*We appreciate the work of the state auditors, and are pleased they note that in most areas District operations complied with applicable requirements and provided adequate safeguarding of public resources, including District compliance with state laws and regulations and its own policies.*

*We will follow the auditor's recommendations for improvements, including strengthening internal controls and updating policies and procedures, so as to more adequately monitor and document charges and expenses.*

*With regard to the statement of conditions:*

### ***Employee's Credit Card:***

*The employee mistakenly and unintentionally used the District-issued credit card for an expense related to school business but not specifically authorized. The employee saw the mistake and immediately brought the error to the attention of*

*the District, directly on receipt of the credit card statement. At the same time, the employee attempted to have the charges corrected by the vendor; and when that attempt was unsuccessful, the employee paid the District the full amount of the mistaken charge, including all related fees and charges. The District will ensure any card with questionable charges will be withdrawn from the employee until any questions are resolved.*

***Meals with meetings:***

*The food purchases in question were for meals provided for District staff during required in-service and late night conferences. This has been the practice of the District for in-service and late night conferences for many years. The District will adopt a policy/procedure regarding food purchases for meals at District meetings, clearly defining allowable purposes and clearly outlining required documentation. All such documentation will be appropriately retained by the District.*

***Finland:***

*At a regularly called meeting of the Board, following a presentation by staff and students, the Board pre-approved the Finland Exchange trip, all as required by current District policy. The Board's position has consistently been to approve District financing of the travel expenses of the trip chaperones. The Finland trip was no exception. All student-related expenses were paid by the students, as required by District policy. The District's existing policy on out of state travel was as recommended by the Washington State School Directors Association. The District will update its policy to require pre-approval of expected expenditures and a statement of the benefit/purpose of the trip.*

***Auditor's Remarks***

We appreciate the District's commitment to resolving the issue noted above and we will follow-up during our next scheduled audit.

***Applicable Laws and Regulations***

RCW 43.09.2855, Local governments—Use of credit cards.

- (1) Local governments, including counties, cities, towns, special purpose districts, municipal and quasi-municipal corporations, and political subdivisions, are authorized to use credit cards for official government purchases and acquisitions.

(2) A local government may contract for issuance of the credit cards.

(3) The legislative body shall adopt a system for:

(a) The distribution of the credit cards;

(b) The authorization and control of the use of credit card funds;

(c) The credit limits available on the credit cards;

(d) Payment of the bills; and

(e) Any other rule necessary to implement or administer the system under this section.

(4) As used in this section, "credit card" means a card or device issued under an arrangement pursuant to which the issuer gives to a card holder the privilege of obtaining credit from the issuer.

(5) Any credit card system adopted under this section is subject to examination by the state auditor's office pursuant to chapter 43.09 RCW.

(6) Cash advances on credit cards are prohibited.

RCW 42.24.115, Municipal corporations and political subdivisions—Charge cards for officers' and employees' travel expenses.

(1) Any municipal corporation or political subdivision may provide for the issuance of charge cards to officers and employees for the purpose of covering expenses incident to authorized travel.

(2) If a charge card is issued for the purpose of covering expenses relating to authorized travel, upon billing or no later than thirty days of the billing date, the officer or employee using a charge card issued under this section shall submit a fully itemized travel expense voucher. Any charges against the charge card not properly identified on the travel expense voucher or not allowed following the audit required under RCW 42.24.080 shall be paid by the official or employee by check, United States currency, or salary deduction.



(3) If, for any reason, disallowed charges are not repaid before the charge card billing is due and payable, the municipal corporation or political subdivision shall have a prior lien against and a right to withhold any and all funds payable or to become payable to the official or employee up to an amount of the disallowed charges and interest at the same rate as charged by the company which issued the charge card. Any official or employee who has been issued a charge card by a municipal corporation or political subdivision shall not use the card if any disallowed charges are outstanding and shall surrender the card upon demand of the auditing officer. The municipal corporation or political subdivision shall have unlimited authority to revoke use of any charge card issued under this section, and, upon such revocation order being delivered to the charge card company, shall not be liable for any costs.

Washington State Constitution, Article VIII, §7 – Credit not to be loaned.

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.

## RELATED REPORTS

### **Financial**

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, 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 separate financial statement and single audit report. That report includes a federal finding regarding reporting of eligible students. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE DISTRICT

La Conner School District No. 311 provides educational services to approximately 626 students in kindergarten through 12th grade in Skagit County. The District operates one high school, one middle school and 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 to oversee the District's daily operations as well as its staff of 54 certificated and 52 classified employees. For fiscal year 2015, the District operated on a general fund budget of approximately \$9.6 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 La Conner School District No. 311 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.

Contact information for the State Auditor's Office	
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