



Washington State Auditor's Office

Government that works for citizens

Accountability Audit Report

Lopez Island School District No. 144

San Juan County

For the period September 1, 2013 through August 31, 2015

Published May 23, 2016

Report No. 1016696





Washington State Auditor's Office

May 23, 2016

Board of Trustees
Lopez Island School District No. 144
Lopez, 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 that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Audit Summary	4
Status Of Prior Audit Findings	5
Related Reports	6
Information About The District	7
About The State Auditor’s Office	8

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 16, 2016, related to payroll controls. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Lopez Island School District No. 144 from September 1, 2013 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:

- Payroll
- Enrollment apportionment
- Disbursements
- Financial condition
- Bank accounts

STATUS OF PRIOR AUDIT FINDINGS

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of Lopez Island School District No. 144. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 9/1/2011 – 8/31/2013	Report Ref. No.: 1012125	Finding Ref. No.: 1
Finding Caption: The District does not have adequate oversight of payroll operations to safeguard public resources.		
Background: During prior audits we have made multiple recommendations to the Board and management on strengthening internal controls over payroll. The District had experienced turnover in the Finance Manager position and created a new payroll position. One person was responsible for all payroll and benefits activity without adequate oversight or monitoring. We identified errors including duplicate payroll payments, penalties and late fees for benefit and tax payments, error in leave balances and not retaining supporting documentation for retirement plan choice.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-around;"> <div><input type="checkbox"/> Fully Corrected</div> <div><input checked="" type="checkbox"/> Partially Corrected</div> <div><input type="checkbox"/> No Corrective Action Taken</div> <div><input type="checkbox"/> Finding is considered no longer valid</div> </div>		
Corrective Action Taken: <i>The District has contracted with North Central Educational Service District for payroll processing starting July 2014. This allows for additional review of timesheets & contracts. The District has also collected all but \$345 of duplicate payments. The District has also implemented an additional review process at the building level to help ensure timesheets & leave slips are filed timely & turned into administration for approval & signature before being turned into the business office. The Business Office also does another review before sending them to North Central ESD for processing. The District will also be implementing documented reviews of the following: payroll & leave balances.</i>		

RELATED REPORTS

Financial

Our opinion on the District's financial statements 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>.

INFORMATION ABOUT THE DISTRICT

Lopez Island School District No. 144 provides public school services to approximately 230 students in kindergarten through 12th grade in San Juan County. The District has one middle/high school, one elementary school and one remote elementary school on Decatur Island.

An elected, five-member Board of Directors governs the District. A Board-appointed Superintendent oversees the District's daily operations as well as its staff of 60 employees. For fiscal year 2014 and 2015, the District had general fund expenditures of approximately \$3.9 million and \$3.6 million, respectively.

Contact information related to this report

Address:	Lopez Island School District No. 144 86 School Road Lopez, WA 98261
Contact:	Janette Bumgarner, Budget/Accounting Assistant
Telephone:	(509) 667-3630
Website:	www.lopezislandschool.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for Lopez Island School District No. 144 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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov