



Washington State Auditor's Office

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Accountability Audit Report

South Kitsap School District No. 402

Kitsap County

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

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Washington State Auditor's Office

May 26, 2016

Superintendent and Board of Directors
South Kitsap School District No. 402
Port Orchard, 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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In the 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.

About the audit

This report contains the results of our independent accountability audit of South Kitsap School District No. 402 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:

- Career and technical education
- Safeguarding of small and attractive assets such as computers
- Third party cash receipting
- Associated Student Body
- Vendor payments/disbursements
- Self-insurance
- Procurement

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

South Kitsap School District No. 402
Kitsap County
September 1, 2014 through August 31, 2015

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of South Kitsap School District No. 402. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: Fiscal Year 2014	Report Ref. No.: 1014124	Finding Ref. No.: 2014-001
Finding Caption: The District's internal controls over Associated Student Body activities are insufficient to safeguard against loss and noncompliance with laws and regulations.		
Background: During our review of ASB procedures at South Kitsap High School and John Sedgwick Junior High School we identified the following issues: <u>Minutes:</u> Both schools did not retain student council minutes for fiscal year 2014. Under the School District Records Retention Schedule, ASB minutes are to be retained for six years after the end of the calendar year before being transferred to the Washington State Archives for permanent retention. <u>Fundraisers:</u> During our review of fundraisers we identified missing fundraiser documentation. We reviewed a total of six fundraisers between the two schools. We noted the following missing or inadequate documentation for three of the fundraisers: <ul style="list-style-type: none">• Student council approval prior to the event date.• An analysis of expected revenue.• A reconciliation of receipts to expected profit analysis following the event.• A completed profit analysis. <u>Ticket Sales:</u> We reviewed 17 cash boxes used for ticket or yearbook sales by South Kitsap High School during fiscal year 2014. During these reviews, we noted the following: <ul style="list-style-type: none">• Twelve out of 17 cash boxes reviewed were either over or short and none of the ticket sales forms included an explanation as to what caused the over or short.• The \$50 overage noted at the high school's spring play was not included with the amount receipted into the ASB system and was therefore never deposited. The ASB bookkeeper was		

unaware of what happened to these funds and they were never located.

- The \$100 shortage of revenue earned while receipting tickets for senior prom was never recovered and the loss was not reported to the State Auditor's Office.
- Cash receipted into the ASB system from the Madrigal Feast was not supported with ticket numbers. Total cash from these boxes was provided to the ASB bookkeeper and subsequently receipted into the system without any comparison to what was actually sold. The total unsupported revenue received for the Madrigal Feast was \$400.
- More than one event was being receipted out of the same cash box, before it was counted or reconciled.

Yearbooks:

- At South Kitsap High School we found 179 yearbooks, valued at about \$9,397.50, went unsold during fiscal year 2014; there was not adequate tracking to account for this unsold inventory.
- While reviewing the yearbook revenue that was receipted in through cash boxes, we noted that yearbooks were sold on June 9, 2014 and June 13, 2014. The revenue from these boxes were not receipted into the ASB system and therefore not deposited into the District's bank account until June 25, 2014 and June 26, 2014, respectively. Total revenue from both deposits was \$17,373.
- Cash receipted into the ASB system from yearbook sales was not supported with total books sold. Total cash from these boxes was provided to the ASB bookkeeper and subsequently receipted into the system without any comparison to what was actually sold. The total unsupported revenue received for yearbook sales was \$7,963.

Status of Corrective Action: (check one)

☒ Fully Corrected

☐ Partially Corrected

☐ No Corrective Action Taken

☐ Finding is considered no longer valid

Corrective Action Taken:

Minutes:

Both schools have retained student council minutes for fiscal year 2015.

Fundraisers:

Fundraising documentation has been improved to include;

- *Student council approval prior to the event date.*
- *An analysis of expected revenue.*
- *A reconciliation of receipts to expected profit analysis following the event.*
- *A completed profit analysis.*

Ticket Sales:

Ticket sales documentation, internal controls, and reconciliations have been improved to include:

- *Over and shorts are supported with written documentation.*
- *Ticket sales are supported with numbered tickets.*
- *Each cash box issued for an event is counted and reconciled prior to be re-issued for*

another event.

Yearbooks:

- *The remaining yearbooks are accounted for through physical inventories and kept in a secure location.*
- *Cash receipts are deposited timely and intact.*
- *All yearbook sales will be done out of the bookkeepers office to ensure that cash receipted reconciles to the number of books sold.*

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 programs, which are listed in the Federal Summary section of the separate financial statement and single audit report. That report includes a federal finding regarding controls over the Impact Aid Program. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

South Kitsap School District No. 402 operates ten elementary schools, three junior high schools, one high school and two alternative schools. The District served an average of 9,326 full-time students during the year under audit. The District has approximately 1,200 employees who provide an array of services in basic, special and vocational education and supporting services such as: food and nutrition, health, maintenance and operations, transportation, student records, purchasing, human resources, financial and administrative.

The District is administered by a five-member Board of Directors, which appoints a Superintendent to oversee the District's day-to-day operations. The District's general fund operating budget was approximately \$95.6 million for the year ended August 31, 2015.

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 South Kitsap School District No. 402 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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