



Washington State Auditor's Office

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Accountability Audit Report

Granger School District No. 204

Yakima County

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

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Washington State Auditor's Office

July 5, 2016

Board of Directors
Granger School District No. 204
Granger, 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
Schedule Of Audit Findings And Responses.....	6
Related Reports.....	14
Information About The District	15
About The State Auditor’s Office.....	16

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 recommend the District improve internal controls over ASB activities to ensure compliance with state laws and District policy and provide adequate safeguarding of public resources. These improvements should include:

- Reconciling fundraiser receipts to expected revenue derived from inventory sold, tickets, or other methods of estimating revenue.
- Reconciling fundraiser receipts to expenses to ensure the District received a profit.
- Clearly documenting the method of payment on the manual receipts.
- Receipting and depositing the manual receipts in consecutive order.
- Depositing timely in accordance with state law and District policy.
- Establishing an independent review of cash receipting process.
- Replenishing the imprest fund and reconciling the imprest account to its authorized balance at least monthly.
- Establishing an independent review of the imprest fund reconciliation.

These recommendations were included in our report as a finding.

We also noted certain matters that we communicated to District management in a letter dated June 28, 2016, related to supplemental contracts. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Granger School District No. 204 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:

- High School Associated Student Body cash receipting, fundraiser and imprest account
- Career and Technical Education apportionment reporting
- Staff Mix apportionment reporting
- Self-insurance
- Disbursements and credit cards
- Payroll
- Open Public Meetings Act

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2015-001 The District's internal controls over High School Associated Student Body activities are insufficient to safeguard against potential loss and noncompliance with laws and regulations.

Background

Districts may use Associated Student Body (ASB) funds for optional and noncurricular activities that are cultural, athletic, recreational or social in nature, or to otherwise support activities and programs.

Granger High School's ASB program collects annual revenue of approximately \$100,000 and expends approximately \$20,000 through the ASB imprest checking account.

Description of Condition

During our review of the ASB activities and procedures, we identified the following control deficiencies:

Fundraisers

The District does not monitor fundraising activity to ensure documentation is prepared, approved and retained. Specifically:

- Documentation is not always retained supporting approval of ASB events.
- District staff do not prepare reconciliations of fundraiser revenue and expenditures to determine if fundraisers receive a profit or whether the expected revenue agrees with the actual amount received.

Cash Receipting

One person is responsible for receipting, depositing, and reconciling money collected without independent oversight. No one ensures the method of payment (cash or check) is properly marked on the receipts and that receipts are deposited timely and in sequential order. In addition, receipts are not always provided to individuals upon receiving funds.

Imprest Account

The High School imprest account has an authorized balance of \$5,000 and is used for ASB purchases and to provide change funds for events. The Schools Accounting Manual requires imprest accounts to be reconciled and replenished

monthly. One person is responsible for writing checks out of the imprest fund, requesting replenishment and reconciling the account, without independent oversight. In addition:

- Monthly reconciliations are not retained.
- The account is not reconciled to the authorized balance.
- The imprest account is not replenished timely.

Cause of Condition

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

Effect of Condition

Inadequate internal controls increase the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner, if at all. We identified the following concerns:

Fundraisers

- Three out of eight fundraisers did not have documentation of approval for the ASB event.
- Eight fundraisers did not have a reconciliation of revenue to expenditures to determine if the fundraiser received a profit.
- Eight fundraisers did not have a reconciliation of receipts to expected revenues, greatly reducing the District's ability to detect any potential losses. We performed this reconciliation and found actual revenues were less than expected for seven fundraisers totaling \$350.

Cash Receipting

We tested cash deposits in the 2014-2015 school year and the 2015-2016 school year totaling \$67,675 and found the following:

- A cash count in April 2016 identified \$15 not receipted in the manual receipt book.
- Two deposits were short cash totaling \$80, one deposit was more than the receipts by \$16, and one fundraiser totaling \$43 was deposited twice.

- Receipts for eleven deposits (totaling \$24,649) were not deposited timely, ranging from two to 22 days late.
- The High School did not document the method of payment (cash or check) on five manual receipts totaling \$976.
- The method of payment (cash or check) on the receipts did not agree to the method of payment deposited for ten deposits totaling \$1,476.
- Seventy-five receipts totaling \$25,419 were receipted and deposited out of consecutive order.
- The school comingled \$300 of private booster funds with public funds.

Imprest Account

- The High School does not request for replenishment on a monthly basis.
- In March 2015, the imprest account was over drafted by \$545.
- The High School was not aware that it paid the same invoice twice totaling \$75.
- There was no evidence of ASB student council approval for a check totaling \$150.

Recommendation

We recommend the District improve internal controls over ASB activities to ensure compliance with state laws and District policy and provide adequate safeguarding of public resources. These improvements should include:

- Reconciling fundraiser receipts to expected revenue derived from inventory sold, tickets, or other methods of estimating revenue.
- Reconciling fundraiser receipts to expenses to ensure the District received a profit.
- Clearly documenting the method of payment on the manual receipts.
- Receipting and depositing the manual receipts in consecutive order.
- Depositing timely in accordance with state law and District policy.
- Establishing an independent review of cash receipting process.

- Replenishing the imprest fund and reconciling the imprest account to its authorized balance at least monthly.
- Establishing an independent review of the imprest fund reconciliation.

District's Response

The Superintendent, ASB administrator, ASB secretary and the Business manager will meet together before school starts in August to put together a plan that will comply with the law and the District policies. The plan will require specific deadline dates that our ASB Overseer employee will comply with.

- 1. Fundraisers – The employee overseeing the ASB along with the Club Advisor and students will meet as a team to complete the following actions to maintain compliance:*
 - a. All fundraiser receipts will be reconciled to expected revenue derived from inventory sold, tickets, or other methods of estimating revenue, as soon as all funds come into the office. This will be done with the secretary and the club students/advisors.*
 - b. Fundraiser receipts will be reconciled to expenses as to determine if there is profit and if no profit, determine what went wrong, what is still owed, who may still have product and what needs to be done.*
- 2. Cash Receipting - The ASB administrator will work with the employee overseeing ASB will work together to enforce the following:*
 - a. All manual receipts will be clearly marked on the receipt as to the method of payment, with check number and quantity and/or cash amount.*
 - b. All deposits will be completed daily.*
 - c. When receipting money, a club treasurer and/or advisor will be present to check and verify cash receipts received. The ASB administrator will review these cash receipts on a regular basis.*
- 3. Imprest Account – The ASB administrator, ASB overseer employee and the Director of Business/Operations will work together to enforce the following:*
 - a. The imprest fund will be reconciled monthly and turned into the Director of Business/Operations by the 10th of each month. The Director of Business/Operations will then work with the district*

employee to replenish the imprest fund, based upon the reconciled reports.

- b. The ASB administrator will review the imprest account reconciliation before it is sent off to the Business and Operations Director.*

Auditor's Remarks

We appreciate the District's commitment to resolving the issues noted and thank the District for its cooperation and assistance during the audit. We will follow up on this status during the next 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.

WAC 392-123-010 The accounting manual.

The superintendent of public instruction and the office of the state auditor shall publish and distribute to each school district and charter school an accounting manual which shall be referred to as The Accounting Manual for Public School Districts of the State of Washington. Such accounting manual, as now or hereafter amended, shall govern the accounting procedures of each school district and charter school and is hereby incorporated into this chapter by this reference. Prior to any revision thereof, the superintendent of public instruction shall publish notice of such proposed action and shall hold at least one public hearing.

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.

RCW 28A.325.030 Associated student body program fund – Fund-raising activities – Non associated student body program fund moneys, states in part:

(1)(b) All moneys generated through the programs and activities of any associated student body shall be deposited in the associated student body program fund. Such funds may be invested for the sole benefit of the associated student body program fund in items enumerated in RCW 28A.320.320 and the county treasurer may assess a fee as provided therein. Disbursements from such fund shall be under the control and supervision, and with the approval, of the board of directors of the school district, and shall be by warrant as provided in *chapter 28A.350 . . .

(2) Subject to applicable school board policies, student groups may conduct fund-raising activities, including but not limited to soliciting donations, in their private capacities for the purpose of generating non associated student body fund moneys. The school board policy shall include provisions to ensure appropriate accountability for these funds. Non associated student body program fund moneys generated and received by students for private purposes to use for scholarship, student exchange, and/or charitable purposes shall be held in trust in one or more separate accounts within an associated student body program fund and be disbursed for such purposes as the student group conducting the fund-raising activity shall determine . . .

Washington Administrative Code 392-138-014 Accounting procedures and records, states in part:

Associated student body public and non associated 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 . . .

Washington Administrative Code 392-138-125 Associated student body public moneys – Disbursement approval – Total disbursements, states in part:

Associated student body public moneys shall be disbursed subject to the following conditions: Accounting procedures and records, states in part:

(1) No disbursements shall be made except as provided for in budget approved pursuant to WAC 392-138-040.

(2) Disbursements shall occur only upon presentation of properly prepared vouchers in such format and design as the central district office shall prescribe.

(3) All disbursements from the associated student body program fund or any imprest bank account established thereunder shall have the prior approval of the appropriate governing body representing the associated student body. Supporting documentation of the vouchers shall bear evidence of approval by the associated student body governing body in accordance with associated student body bylaws.

Accounting Manual for Public School Districts in the State of Washington, September 2013, Chapter 9 Accounting Guidelines, Internal Control Structure, states in part:

The principles embodied in this system are those necessary to satisfy minimum requirements for adequate accounting and control of associated student body moneys. Any district, whatever the accounting system used, must base that system on both the required and the generally accepted school business procedures, some of which are:

- Official prenumbered documents must be used to adequately safeguard and control the financial transactions of the associated student body. All tickets, membership.
- All money upon receipt must be deposited timely and intact to the district depository bank and then to the county treasurer for credit to the ASB Fund of the district (WAC 392-138-115).
- All disbursements must be made by warrant or by check from an authorized imprest bank checking account as provided in RCW 28A.325.030 and WAC 392-138-120.
- Supporting documents must be kept for all disbursements made.
- An imprest bank checking account reconciliation statement must be made each month.
- At least once each month the imprest bank checking account will be replenished to its original authorized amount.
- Monthly and yearly financial statements must be prepared.

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 Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Granger School District No. 204 serves approximately 1,600 students in preschool through 12th grade in Yakima County. The District has one elementary school, one middle school and one high school. It provides public education as well as supporting services including school meals and pupil transportation.

An elected, five-member Board of Directors governs the District. The Board appoints the Superintendent and Director of Business and Operations to oversee the District's daily operations as well as its 98 certified and 90 classified employees. For the years under audit, the District operated on annual budgets of approximately \$17.3 million.

Contact information related to this report	
Address:	Granger School District No. 204 701 E. Avenue Granger, WA 98932
Contact:	Bich Hall, Director of Business and Operations
Telephone:	(509) 854-3172
Website:	www.gsd.wednet.edu

Information current as of report publish date.

Audit history

You can find current and past audit reports for Granger School District No. 204 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