



Washington State Auditor's Office

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Accountability Audit Report

Touchet School District No. 300

Walla Walla County

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

Published July 28, 2016

Report No. 1017123





Washington State Auditor's Office

July 28, 2016

Superintendent and Board of Directors
Touchet School District No. 300
Touchet, 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	11
Information About The District	12
About The State Auditor’s Office.....	13

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 its monitoring and compliance with ASB activities.

We recommended the following:

- Deposit ASB generating revenues from ASB activities into the ASB Fund.
- The ASB Advisor/Staff and District Administration follow the WASBO ASB activities and fundraiser requirements that were adopted as the District policy.
- Ensure all ASB activities are approved by all required parties.
- Perform a revenue/expense analysis and reconciliation of fundraising activity for all fundraisers.
- Monitor athletic gate receipting and reconciliations to ensure reporting is correct and all revenues earned are deposited with the District Secretary.

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 July 21, 2016, related to change orders for public works projects. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Touchet School District No. 300 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:

- Financial condition
- Insurance/risk management
- Procurement (bidding/prevaling wage)
- Teacher education and experience (staff mix) reporting
- Associated Student Body

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2015-001 The District continues to lack adequate internal controls over ASB funds and deposited restricted ASB funds into the General Fund.

Background

The District has received recommendations over internal controls over ASB funds and activities in the past two audits. The District continues to have control deficiencies over ASB activities.

Description of Condition

The District deposited funds generated by gate fees for athletic events into the General Fund. Funds generated by student activities are legally restricted and must be accounted for in the ASB Fund. The General fund is an account for unrestricted funds.

In addition, during our review of ASB activities, we noted:

- Seven instances of no pre-approvals by the board for ASB events.
- Seven instances of events not listed or approved in the ASB minutes.
- Six instances of no approval from an ASB Advisor for ASB events.
- Six instances of no revenue/expense analysis and four instances of no reconciliations for ASB fundraising activity.
- Out of six games reviewed, there were six instances with variances of tickets issued to funds collected totaling \$30.

Cause of Condition

The District does not have adequate controls to ensure requirements of ASB activities are in accordance with applicable requirements. The District was not aware that gate receipts generated by ASB activities are restricted and should only be deposited in the ASB Fund.

Effect of Condition

Without adequate internal controls, the District cannot adequately safeguard public resources and ensure restricted funds are used for allowable purposes.

Further, the District is not in compliance with the Schools Accounting Manual.

Recommendation

We recommend the District:

- Deposit ASB generating revenues from ASB activities into the ASB Fund.
- The ASB Advisor/Staff and District Administration follow the WASBO ASB activities and fundraiser requirements that were adopted as the District policy.
- Ensure all ASB activities are approved by all required parties.
- Perform a revenue/expense analysis and reconciliation of fundraising activity for all fundraisers.
- Monitor athletic gate receipting and reconciliations to ensure reporting is correct and all revenues earned are deposited with the District Secretary.

School District's Response

In response to our 2016 Audit finding: our Touchet ASB internal control system will consist of a plan of organization, methods, and procedures that will be adopted by the Touchet School District management to exercise effective accounting control over assets, liabilities, revenues and expenditures. The system will be designed to ensure that resource use is consistent with law, policy and regulations; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

The purpose of an Associated Student Body (ASB) fund is to promote the general welfare and morale of the students. Student classes and clubs will be properly approved by the ASB and copies of their statement of purpose and objectives will be on file in the school office. This will ensure all ASB activities are approved by all required parties.

There are many issues involved with the management of ASB funds and operations. First, in sharp contrast to most other funds, which are received by the District in the form of checks, most ASB funds are received in cash. It is always easier for fraud, abuse, or human error to occur when funds are in cash, so internal controls are extremely important.

The Board of Directors (Board) is ultimately responsible for everything that happens in the District, including the activities of ASB organizations. The Board establishes the parameters for the operation of the District through Board policies. The superintendent is responsible for ensuring the implementation of Board policies and that staff follow those policies. In addition, the superintendent

is responsible for establishing procedures by which staff remain in compliance with Board policy.

The District's Business Office establishes accounting procedures for the ASB financial activities to ensure compliance with federal and state statutes, Board policies, and accounting principles. The Business Office will assist in training, serve as a resource to schools, and conduct internal audits and regular continuous monitoring of financial activities. We have recently hired a new business manager for the Touchet School District. He will be attending the necessary training through WASBO and he will also receive support from ESD 123. He will ensure that Deposits of ASB generating revenues from ASB activities are placed into the ASB Fund.

The principal provides oversight and is responsible for ensuring that student body funds are spent for the general welfare of the student body. While the principal has the ultimate responsibility for all activities at the school site, many responsibilities for ASB management functions has been delegated to the business manager.

Our ASB advisor is responsible for monitoring and managing the activities of ASB. We are fortunate that our ASB advisor for the 2015-2016 school year will continue in his capacity for the 2016-2017 school year. He has attended the training for ASB advisors through WASBO and wishes to enhance his capacity of ASB knowledge with any future training opportunities. The ASB Advisor/Staff and District Administration will follow the WASBO ASB activities and fundraiser requirements that were adopted as the District policy. In addition they will perform a revenue/expense analysis and reconciliation of fundraising activity for all fundraisers and monitor athletic gate receipting and reconciliations to ensure reporting is correct and all revenues earned are deposited with the District office.

ASB records are audited by independent auditors. If the auditors identify a problem or significant weakness in how ASB funds were managed during the school year, they will report the weakness to the District's superintendent and school board. We believe that audit findings are used as a tool to strengthen operations and to ensure such errors do not happen again.

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 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.

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 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

WAC 392-123-010 The accounting manual, states:

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

Chapter 3 Internal Control states in part: Internal control is a management process to assist a school district in achieving the educational objectives adopted by the school board. This management control system should include procedures and policies to help ensure resources are guarded against waste, loss, and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations, and policies. Each school district should adopt methods to assess risk and review control activities. The methods developed should address each school district's specific needs.

Accounting Manual for Public School Districts in the State of Washington, Chapter 9 Information Unique to Each Fund, Associated Student Body Funds, states in part:

Special revenue funds are used to account for the proceeds of revenue sources that are legally restricted to expenditure for specified purposes.

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

Touchet School District No. 300 serves approximately 250 students in kindergarten through 12th grade in Walla Walla County.

An elected, five-member Board of Directors governs the District. The Board appoints a Superintendent to oversee the District's daily operations as well as its 19 certificated and 23 classified employees. For the years under audit, the District operated on annual budgets of approximately \$3.96 million in fiscal year 2014 and \$4.96 million in fiscal year 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 Touchet School District No. 300 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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