



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Accountability Audit Report**

**Republic School District No. 309**

**Ferry County**

**For the period September 1, 2014 through August 31, 2016**

**Published June 29, 2017**

**Report No. 1019405**





**Office of the Washington State Auditor**  
**Pat McCarthy**

June 29, 2017

Board of Directors  
Republic School District No. 309  
Republic, 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,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Audit Summary .....	4
Schedule Of Audit Findings And Responses .....	5
Related Reports .....	10
Information About The District .....	11
About The State Auditor’s Office .....	12

## 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 improve internal controls over Associated Student Body (ASB) activities. These improvements should include:

- Adequately training staff and students involved in ASB fundraisers.
- Reconciling fundraiser receipts to expected revenue derived from inventory sold, tickets sold or other methods of estimating expected revenue.
- Preparing, retaining and monitoring all necessary records for ASB activities.
- Detailed Student Council approval of ASB expenditures.

These recommendations were included in our report as a finding.

### About the audit

This report contains the results of our independent accountability audit of Republic School District No. 309 from September 1, 2014 through August 31, 2016.

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:

- Self-insurance
- Student enrollment reporting
- Associated Student Body activities
- Payroll and employee leave

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2016-001    The District's internal controls over Associated Student Body activities were 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 the activities and programs of ASBs.

Republic School District's ASB program had average annual revenue and expenditures of \$55,800 and \$64,500, respectively, for the 2014-2015 and 2015-2016 school years.

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

We identified the following conditions during our review of 2015 and 2016 ASB activities and procedures:

#### **Fundraisers**

District staff with ASB responsibilities:

1. Perform a reconciliation of ticketed ASB events but do not perform effective post-event reconciliations for non-ticketed events. Thirty percent of ASB events are non-ticketed.
2. Do not perform fundraiser profit analyses nor consistently reconcile cash receipt documentation to bank deposit records.
3. Do not reconcile yearbook and ASB card receipts to supporting records, nor do they maintain sufficient ASB card documentation to perform such a reconciliation.

#### **Expenditures**

The District does not have an effective process for pre-approving purchases by the ASB student council, as state law requires. District staff did not maintain sufficient documentation to determine if 40 percent of ASB payments we examined were pre-approved. Additionally, Student Council approval forms did not list which expenditures they approved.

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

The District has not allocated the necessary resources and oversight to establish adequate internal controls to safeguard ASB receipts and comply with state laws and regulations for ASB activities.

### ***Effect of Condition***

Inadequate internal controls over ASB fundraising and disbursements, including insufficient approval and monitoring by the ASB Student Council, increase the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner, if at all.

### ***Recommendation***

We recommend the District improve internal controls over ASB activities. These improvements should include:

- Adequately training staff and students involved in ASB fundraisers.
- Reconciling fundraiser receipts to expected revenue derived from inventory sold, tickets sold or other methods of estimating expected revenue.
- Preparing, retaining and monitoring all necessary records for ASB activities.
- Detailed Student Council approval of ASB expenditures.

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

*The District would like to respond to the ASB audit findings that were recognized by the State Auditor. It was established that inadequate internal controls over ASB fundraising and disbursements, including insufficient approval and monitoring by the ASB Student Council would increase the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner, if at all.*

*The District is taking the appropriate steps to improve and strengthen internal controls for the staff, advisors, coaches and ASB council through training with the State Auditor's office this summer. We will also be using the ASB Fundraising Resource Guide and the Activity Coordinators Guide for ASB that has been made available through the WASBO ASB Committee. Both these guides will help make sure that everyone is following the same procedures to establish accountability*

*for all activities. In these guides are forms that will be used to reconcile fundraising activities, and forecast activities revenue and expenditures. These forms will be included in a packet that will be given to advisors and coaches to help aide them in properly accounting for all fundraising activities.*

*The District is establishing a monitoring system to reconcile fundraising activities, maintain accurate records of ASB activities and Student Council approval of all expenditures. It is our goal to ensure that all ASB activities are handled in accordance with the Accounting Manual for Public School Districts of the State of Washington, the Revised Code of Washington and all applicable laws and regulations.*

### ***Auditor's Remarks***

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our 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, 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*, September 2014, 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.

An internal control system should provide reasonable assurance that a school district will accomplish its educational objectives. The concept of reasonable assurance recognizes that the cost of an internal control activity should not exceed the benefit derived from it. Reasonable assurance equates to a satisfactory level of confidence given considerations of costs, benefits, and risks.

School district management should identify and analyze the risks in achieving educational objectives and determine how to most effectively and efficiently manage those risks. Management defines the level of risk that the school district is willing to accept and strives to maintain risks within those levels.

Each school district should adopt methods to assess risk and review control activities. The methods developed should address each school district's specific needs.

RCW 28A.325.030 Associated student body program fund – Fund-raising activities – Non associated student body program fund moneys, states in part: Washington State Auditor's Office Page 8

(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 . . .

(1)(c) The associated student body program fund shall be budgeted by the associated student body, subject to approval by the board of directors of the school district. 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. Notwithstanding the provisions of RCW 43.09.210, it shall



not be mandatory that expenditures from the district's general fund in support of associated student body programs and activities be reimbursed by payments from the associated student body program fund.

(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 nonassociated 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 . . . .

## 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

Republic School District No. 309 is located 120 miles northwest of Spokane in Ferry County. The District has approximately 420 students that it serves in two buildings: an elementary school serving kindergarten through seventh grade students and a high school serving eighth through 12th grade students.

An elected, five-member Board of Directors governs the District. Board Members serve staggered, four-year terms. A Board-appointed Superintendent oversees the District's daily operations as well as its approximately 85 employees. The District's annual budget is approximately \$4.4 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 Republic School District No. 309 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
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