



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Montesano School District No. 66

Grays Harbor County

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

Published August 10, 2017

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Office of the Washington State Auditor
Pat McCarthy

August 10, 2017

Board of Directors
Montesano School District No. 66
Montesano, 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

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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 follow Washington bid law to ensure goods and services are competitively procured. Further, the District should review the Department of Labor and Industries list of debarred contractors before awarding a contract to ensure all contractors are allowed to do business in Washington.

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 August 2, 2017, related to Career and Technical Education (CTE) enrollment reporting. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Montesano School District No. 66 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:

- Open public meetings
- Transportation
- Self-insurance
- Career and Technical Education
- Donations
- Procurement – purchases
- Controls over cash receipting
- Associated Student Body

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-001 The District did not follow state procurement laws to ensure the lowest responsible bidder was selected.

Background

School districts are required to competitively bid all public works projects over \$100,000. Specifications for the purchases must be available to all interested parties and must be approved by the governing body. The submitted bids must be opened and read publicly at a fixed time and place, and the contract must be awarded to the lowest responsible bidder.

State law allows school districts to fulfill these bidding requirements through a process, referred to as piggybacking, in which they purchase from a bid awarded by the state, another government or group of governments, provided the following requirements are satisfied:

- The District must enter into an interlocal agreement to use another entity's bid.
- The participating government is responsible for ensuring the award meets bid requirements.

Montesano School District No. 66 installed field turf during the 2015 and 2016 school years. The District received donations from the community to fund the majority of the project. The total cost of the project was \$1,014,103.

The District piggybacked on a contract awarded by The Interlocal Purchasing System (TIPS) from Texas.

Description of Condition

The District did not ensure the procurement process used by TIPS met bid requirements when selecting a contractor for the purchase and installation of the field turf. The contractor that was selected for the purchase and installation was not the lowest responsible bidder.

In addition, before awarding the contract, the District did not search the Department of Labor and Industries' list of debarred contractors to determine whether the contractor was allowed to do business in Washington.

Cause of Condition

The contract procured by TIPS met Texas' requirements; however, procurement regulations in Washington differ and were not met. The District believed all Washington procurement regulations were met and did not ensure that its own bid laws were satisfied by the lead agency.

Effect of Condition

The District paid a total of \$1,014,103 during the 2014-2015 and 2015-2016 school years for the field turfs purchase and installation. The District cannot ensure it received the best price for the field turf project.

Recommendation

We recommend the District follow Washington bid law to ensure goods and services are competitively procured. Further, the District should review the Department of Labor and Industries list of debarred contractors before awarding a contract to ensure all contractors are allowed to do business in Washington.

District's Response

The Montesano School District entered into an Interlocal Agreement with The Interlocal Purchasing System (TIPS) in April of 2015. Under this agreement we felt we were complying with all procurement laws and guidelines as outlined in the Interlocal Agreement. Compliance with competitive bidding, vendor award process, advertising, scoring proposals, and awarding of vendor contracts is the role of TIPS. The agreement has language relative to Washington RCW and also the Texas Government Code.

Based on the agreement signed with TIPS, we chose Sprinturf, LLC as the vendor for our turf project. Sprinturf, LLC was a vendor on the TIPS awarded list for Washington State, they provided the type of quality material that we expected for this type of project, and they could produce the product in the time frame needed to have the least amount of impact on the students and staff at the Jr-Sr High School. The district was under the impression all compliance issues had been met by the agreement with TIPS.

Although we cannot confirm the district received the best price for the turf project, we are satisfied we received a high quality product for a competitive price in the time frame needed for our school and community.

The district is committed to following bid laws and guidelines for future projects and will also verify the vendor chosen is a contractor who is allowed to do business in the State of Washington and not on the list of debarred contractors.

Auditor's Remarks

We appreciate the District's response and commitment to resolving the issue. We also wish to thank the District's staff and management for their cooperation and assistance during our audit. We will follow up on its status during the next audit.

Applicable Laws and Regulations

RCW 28A.335.190 Advertising for bids – Competitive bid procedures – Purchases from inmate work programs – Telephone or written quotation solicitation, limitations – Emergencies, states in part:

- (4) The board may make improvements or repairs to the property of the district through a department within the district without following the public bidding process provided in subsection (1) of this section when the total of such improvements or repairs does not exceed the sum of seventy-five thousand dollars. Whenever the estimated cost of a building, improvement, repair, or other public works project is one hundred thousand dollars or more, the public bidding process provided in subsection (1) of this section shall be followed unless the contract is let using the small works roster process in RCW 39.04.155 or under any other procedure authorized for school districts. One or more school districts may authorize an educational service district to establish and operate a small works roster for the school district under the provisions of RCW 39.04.155.
- (5) The contract for the work or purchase shall be awarded to the lowest responsible bidder as described in RCW 39.26.160(2) but the board may by resolution reject any and all bids and make further calls for bids in the same manner as the original call. On any work or purchase the board shall provide bidding information to any qualified bidder or the bidder's agent, requesting it in person.

RCW 39.34.030 Joint powers – Agreements for joint or cooperative action, requisites, effect on responsibilities of component agencies – Joint utilization of architectural or engineering services – Financing of joint projects, states in part:

- (2) Any two or more public agencies may enter into agreements with one another for joint or cooperative action pursuant to the provisions of this chapter, except that any such joint or

cooperative action by public agencies which are educational service districts and/or school districts shall comply with the provisions of RCW 28A.320.080. Appropriate action by ordinance, resolution or otherwise pursuant to law of the governing bodies of the participating public agencies shall be necessary before any such agreement may enter into force.

(5) No agreement made pursuant to this chapter relieves any public agency of any obligation or responsibility imposed upon it by law except that:

(a) To the extent of actual and timely performance thereof by a joint board or other legal or administrative entity created by an agreement made pursuant to this chapter, the performance may be offered in satisfaction of the obligation or responsibility; and

(b) With respect to one or more public agencies purchasing or otherwise contracting through a bid, proposal, or contract awarded by another public agency or by a group of public agencies, any statutory obligation to provide notice for bids or proposals that applies to the public agencies involved is satisfied if the public agency or group of public agencies that awarded the bid, proposal, or contract complied with its own statutory requirements and either (i) posted the bid or solicitation notice on a web site established and maintained by a public agency, purchasing cooperative, or similar service provider, for purposes of posting public notice of bid or proposal solicitations, or (ii) provided an access link on the state's web portal to the notice.

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 program, which is 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

Montesano School District No. 66 provides public school services to over 1,350 students in Montesano and the surrounding area of Grays Harbor County. The District provides basic education, supplemental programs, special education, food services and transportation services to students in preschool through 12th grade. The District operates two elementary schools and one junior/senior high school.

An elected, five-member Board of Directors governs the District. The Board is the primary policy-making body, exercising budgetary and financial control for the District. The Superintendent, appointed by the Board, oversees the District's day-to-day operations as well as its 85 certified and 90 classified employees. The District operated on annual budgets of approximately \$13 million for the 2014-2015 fiscal year and approximately \$14 million for the 2015-2016 fiscal year.

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 Montesano School District No. 66 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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