



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Manson School District No. 19

Chelan County

For the period September 1, 2014 through August 31, 2017

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Office of the Washington State Auditor
Pat McCarthy

May 24, 2018

Board of Directors
Manson School District No. 19
Manson, 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 independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the 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 RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, except as described below, District operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above and described in the attached finding, we identified areas in which the District could make improvements.

We recommended the District improve internal controls over Associated Student Body (ASB) activities to comply with state laws and regulation and adequately safeguard public resources. Specifically, we recommended the District:

- Provide adequate training to staff and students involved in ASB fundraisers
- Reconcile fundraiser receipts to expected revenues as derived from inventory sold, tickets or another method of estimating expected revenue
- Prepare, retain and monitor all necessary records for ASB activities
- Retain all ASB Student Council Minutes and clearly document formal approval of activities, purchases and prior minutes

These recommendations were included with our report and in a separate communication as a finding.

About the audit

This report contains the results of our independent accountability audit of Manson School District No. 19 from September 1, 2014 through August 31, 2017.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. 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, based on our risk assessment for the years ended August 31, 2017, 2016 and 2015, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Associated Student Body activities and approval documentation
- Procurement – bid law compliance for public works projects, prevailing wages, and change orders
- General Disbursements – compliance with state law
- Financial condition and fiscal sustainability
- Student enrollment – compliance with student reporting for basic education
- Special Education – compliance with student reporting and special education planning

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 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 student activities that are cultural, athletic, recreational or social in nature, or that otherwise support ASB activities and programs.

Manson School District's ASB program collected revenue of about \$68,000, \$79,000 and \$104,000 during fiscal years 2015, 2016 and 2017, respectively.

Description of Condition

Our examination identified the following conditions:

Fundraisers and events

For each event or fundraiser, the ASB should retain source documentation of activity such as beginning and ending number of tickets sold, inventory change, or manual receipts issued to reconcile against actual funds collected. Without this reconciliation, the ASB might not be able to detect potential losses of inventory or funds promptly.

Our examination found the District did not document ASB Fundraiser Activity for all three fiscal years under audit. Therefore, the District cannot determine whether it received all money owed to it, and ultimately whether a loss or misappropriation occurred.

In addition, the ASB Council meeting minutes contained insufficient detail and did not clearly state approvals of activities and events.

Student Store

The District could not demonstrate whether it reconciled inventory counts to sales for any of the four days we tested at the store.

ASB Council meeting minutes

For the three years under audit, the high school ASB Council met on a weekly basis and the middle school Council met on a bi-weekly basis. However, the District was able to provide documented minutes for only 15 meetings. In addition, the minutes

on file were not complete, lacking approval and support for purchases and fundraisers.

Negative club balances

Fourteen of 72 clubs in fiscal year 2015, five of 73 clubs in fiscal year 2016, and 13 of 67 clubs in fiscal year 2017 ended the year with negative balances at the club level, which does not comply with state regulations (WAC 392.138.125).

Cause of Condition

The District did not provide sufficient oversight to ensure established policies and procedures were followed by the ASB, and specifically that necessary records such as Council minutes and fundraiser worksheets were completed properly and retained.

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 might occur and not be detected quickly, if at all.

Recommendations

We recommend the District improve internal controls over ASB activities to comply with state laws and regulation and adequately safeguard public resources. Specifically, we recommend the District:

- Provide adequate training to staff and students involved in ASB fundraisers
- Reconcile fundraiser receipts to expected revenues as derived from inventory sold, tickets or another method of estimating expected revenue
- Prepare, retain and monitor all necessary records for ASB activities
- Retain all ASB Student Council Minutes and clearly document formal approval of activities, purchases and prior minutes

District's Response

We would like to thank the State Auditor's Office for pointing some issues with our ASB.

The District plans to implement internal controls sufficient to ensure ASB records are kept as required. The District has already implemented the use of its point of

sale system in the Student Store and ASB Concessions. As part of this system, inventories are maintained and reconciled to sales.

Auditor's Remarks

We appreciate the steps the District is taking to resolve these issues. We will follow-up on the condition of these matters in the next audit.

Applicable Laws and Regulations

Accounting Manual for Public School Districts in the State of Washington, Chapter 3, Accounting Guidelines, Internal Control Structure, sets forth requirements for establishing and maintaining an effective system of internal controls.

Accounting Manual for Public School Districts in the State of Washington, Chapter 9, Information Unique to Each Fund, Associated Student Bodies Association, sets forth guidelines for accounting of ASB funds.

WAC 392-138-014 Accounting procedures and records, sets forth requirements for accounting methods and procedures to follow regulations and guidelines established in the *Accounting Manual for Public Schools in the State of Washington*.

WAC 392-138-125. Associated student body public moneys – Disbursement approval – Total disbursements, sets forth requirements for ASB budgets and disbursement approvals.

WAC 392-123-010. The Accounting Manual, sets forth the requirements for the use of the accounting manual by the District.

RCW 28A.325.030 Associated student body program fund – Fund-raising activities – Non associated student body program fund moneys, sets forth requirements for conducting ASB fund-raising activities.

DAN Gs50-05A-13 Rev. 2 establishes the retention requirements for governing and executive board meeting minutes. RCW 28A.400.030 Superintendent's duties, sets forth requirements for the school district superintendent to keep accurate records and detailed accounts for receipts and expenditures of school money.

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

Manson School District No. 19 located in Manson, Washington in Chelan County and provides educational services to approximately 620 students in kindergarten through 12th grade. The District has one middle school one high school and one elementary school.

An elected, five-member Board of Directors governs the District. Board Members serve staggered, four-year terms. The Board appoints a Superintendent to oversee the District's daily operations as well as its approximately 150 employees. Most of the District's funding comes from state apportionments with an annual operating budget of approximately \$9 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 Manson School District No. 19 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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