



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Ocean Beach School District No. 101

Pacific County

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

Published July 16, 2018

Report No. 1021553





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

July 16, 2018

Superintendent and Board of Directors
Ocean Beach School District No. 101
Long Beach, 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 establish internal controls over associate student body (ASB) activities including providing adequate training for staff and students, retaining appropriate documentation and performing accurate and complete reconciliations of activities.

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 Ocean Beach School District No. 101 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.

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, 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:

- Staff mix – testing of employee years of experience and education
- Enrollment reporting for Career and Technical Education (CTE) students
- Financial condition and fiscal sustainability
- Associated student body (ASB) – fundraising and activities
- Review of control structure for cash receipting and general disbursements
- Open public meeting minutes

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

District management is responsible for designing and following internal controls that provide reasonable assurance of compliance with State laws and policies, and the safeguarding of public resources. A lack of or inadequate controls can hinder the District's ability to comply with laws and policies and to prevent or detect misappropriation.

Associated Student Body (ASB) revenue was more than \$445,600 in fiscal years 2014-2016. During our audit, we reviewed internal controls over ASB activities and fundraisers at Ilwaco High School, which collected about \$379,300 in ASB revenues for fiscal years 2014-2016.

Description of Condition

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

Cash boxes

The District does not have a process or procedures in place that would segregate duties over the cash box, making it difficult to determine who is responsible should a loss occur.

Car Wash

The District conducted multiple car washes throughout the 2014-2015 school year. Issues with those car washes included:

- Documentation of actual revenue receipting was kept for only one car wash, which had a list of cars and money donated. The documentation for that car wash was altered to reconcile the cash received to the list of cars.
- Receipts were not issued for donations received.
- Reconciliations were not performed.

Rummage Sale

- Documentation was not kept about items donated for the rummage sale.
- Documentation was not kept to support items sold or expected revenue.

Cookie Dough Sale

- The District received boxes of cookie dough exceeding pre-order sales.
- The District did not inventory or track excess cookie dough received.

Gold Card Sales

- The District purchased 777 Gold Cards to sell for this event. Only two ASB clubs maintained documentation to show that 208 Gold Cards were sold; other Gold Card sales were not documented.
- District records identified a stock of 145 extra cards; auditors identified 135 cards.
- The District does not have processes and procedures sufficient to demonstrate where the remaining 434 Gold Cards are located.

Shrek Ticket Sales

- Beginning and ending ticket numbers, which would identify the number of tickets sold, were not documented for each show.
- Profit analysis and reconciliation was not performed.

We are unable to determine if the District received all funds due from fundraising activities and if all funds were receipted and deposited.

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

The District identified a loss of \$140 in cash from a cash box, as well as altered supporting documentation for one car wash fundraising event.

Inadequate internal controls over ASB cash receipting activities increase the risk that a loss or misappropriation of public funds could occur and not be detected promptly, if at all.

Recommendations

We recommend the District improve internal controls over ASB activities. Specifically, the District should:

- Adequately train staff and students involved in ASB fundraisers

- Reconcile fundraiser receipts to expected revenue derived from inventory sold, tickets sold or other methods of estimating expected revenue, and follow up on variance, to detect a loss or error promptly.
- Prepare, retain and monitor all necessary records for ASB activities

District's Response

The District will continue to require annual training for all ASB secretaries, advisors and coaches. In addition, the District will work with WASBO to secure individualized training for the ASB Secretary and Advisor at each school.

The Business Manager will perform quarterly Internal Audits to ensure proper business practices are being followed.

Auditor's Remarks

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next audit.

Applicable Laws and Regulations

RCW 28A.400.030 (3) states in part:

The Superintendent shall . . . keep accurate and detailed accounts of all receipts and expenditures of school money.

Accounting Manual for School Districts, Chapter 3, states in part:

Each public school district is responsible for the establishment of procedures for the daily collection of cash, other forms of money, and for the issuance of payee receipts consistent with reliable internal control processes.

Washington Administrative Code (WAC) 392-138-014 states in part:

Associated student body moneys shall be accounted for as follows:

(1) Accounting methods and procedures shall comply with such rules and regulations and/or guidelines as are developed by the state auditor and the superintendent of public instruction and published in the Accounting Manual for Schools and/or other publications.

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 includes federal findings regarding: child nutrition program verification requirements, Title I requirements for highly qualified paraprofessionals, allowable costs, procurement, and suspension and debarment. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

The reporting entity of the Ocean Beach School District is a municipal corporation organized pursuant to Title 28A Revised Code of Washington (RCW). Its purpose is to provide public school services to students in grades K-12. Oversight responsibility for the district's operations is vested with the independently elected Board of Directors.

The District has approximately 1,000 students enrolled, including about 25 students in a newly opened alternative school. 60 percent of students are participants in the free and reduced lunch program. High School students are allowed to participate in running start. About 13 students participate. The District has after school programs provided by a 21st Century Grant. The local Boys and Girls Club also runs after-school programs.

During the school year, the District had a total of 59 teachers and a total of five (six with the Early Childhood Center) schools in operation. The majority of the District's employees are members of employee unions. Teachers are unionized through Ocean Beach Education Association. Classified employees are unionized through Classified Public Employees Association. Transportation employees are unionized through Public School Employees of Washington.

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 Ocean Beach School District No. 101 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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