



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Wapato School District No. 207

Yakima County

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

Published June 28, 2018

Report No. 1021610





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

June 28, 2018

Board of Directors
Wapato School District No. 207
Wapato, 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,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

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 again recommend the District strengthen internal controls to ensure all funds are collected and deposited appropriately. Specifically, the District should:

- Reconcile gate admission receipts to actual funds collected and follow up on any differences
- Compare concession inventory sold to actual funds collected and accurately prepare inventory count sheets
- Retain supporting documentation to show all voided transactions are adequately supported, reviewed and approved by someone independent of the cash-handling process

About the audit

This report contains the results of our independent accountability audit of Wapato School District No. 207 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:

- Selected IT security policies, procedures, practices, and controls protecting financial systems, IT systems and data
- Self-insurance – Unemployment compensation
- Associated Student Body – Cash receipting, fundraising and monitoring at the high school and middle school
- Payroll – employee payouts and supplemental contracts
- Conflict of interest laws
- General disbursements and credit cards purchases
- Procurement – purchases and public works projects
- Enrollment reporting for high school students
- Bilingual enrollment reporting for high school students

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 The District's internal controls over high school Associated Student Body (ASB) cash receipting were inadequate to safeguard public resources.

Background

Wapato High School collects revenue of about \$200,000 through the Associated Student Body (ASB) fund annually. All funds must be accounted for to comply with rules and regulations published in the Accounting Manual for Public Schools in the State of Washington.

Description of Condition

The high school collects money for admissions and concessions for several athletic events. Our audit identified the following internal control weaknesses in cash receipting for these events:

- The review process over reconciliations comparing the money collected to expected revenue for concessions and gate admissions was not effective to ensure the reconciliations were performed correctly and supported, and that all funds were accounted for.
- The District did not retain adequate documentation showing that voided receipts were reviewed and approved.

As result of these weaknesses, we noted the following:

Gate admissions

- The school did not perform a reconciliation comparing the receipted amount to the amount of money collected for nine of 19 events tested during fiscal years 2016 and 2017.
- The school did not retain the cash register report (z-tape) showing the amount collected for six events.
- For four events, the school deposited less money than was recorded through the cash register, for a total of \$223. Also, the school deposited funds for nine events that had more money than was recorded through the cash register, for a total of \$5,837. There was no documentation to show that the school followed up on these differences.

Concessions

- The school did not perform a net-profit calculation or expected-revenue analysis for five of 13 events tested during fiscal years 2016 and 2017.
- The school did not perform and retain an inventory count sheet showing the amount of inventory sold for three events.
- For eight concession events, the school deposited less money than expected, based on the inventory sold, by a total of \$3,922. Also, the school deposited funds for two events that were more than expected, by a total of \$365. There was no documentation to show that the school followed up on these differences.

Voids

- The District did not retain supporting documentation showing that 10 voids were reviewed and approved. Also, the school voided two transactions to refund students for an ASB card, but the refund receipt was not retained.

The previous audit noted similar concerns.

Cause of Condition

Although the District has taken steps to address prior audit recommendations, the school has not consistently implemented the changes. In addition, the school has not taken appropriate steps to retain evidence of inventory, reconciliations and reviews to allow proper monitoring over this activity.

Effect of Condition

Inadequate internal controls over cash handling increases the likelihood that a loss or misappropriation of public funds might occur and not be detected quickly, if at all.

Recommendations

We again recommend the District strengthen internal controls to ensure all funds are collected and deposited appropriately. Specifically, the District should:

- Reconcile gate admission receipts to actual funds collected and follow up on any differences
- Compare concession inventory sold to actual funds collected and accurately prepare inventory count sheets

- Retain supporting documentation to show all voided transactions are adequately supported, reviewed and approved by someone independent of the cash-handling process

District's Response

The District will implement a system to review the gate receipts after each season to ensure the correct documentation is on file and any discrepancies are reviewed in a timely manner. We will provide additional training to all gate receipt takers on the following: reconciliation process, the documentation collection, and the follow up needed for discrepancies.

The District will provide additional training to club advisors on reconciling inventory to actual inventory sold and comparing totals to actual cash received. The District will also provide training to the club advisors on documentation needed for any discrepancies that are found. The District will also review the concession reconciliations after each season to ensure documentation is on file for any discrepancies that are found.

The District will retain documentation and any follow up notes for any voids that occur. The District will designate this to someone independent of the cash handling process. This will ensure the District has reviewed voids or refunds being issued. The District will provide additional training to staff on issuing voids and refunds to ensure the proper process is being completed.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during the next audit.

Applicable Laws and Regulations

School District Accounting Manual, chapter 9 and chapter 3.

District ASB policy

ASB WASBO Manual

RCW 43.09.200

RCW 28.325.020

WAC 392-138-014



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Wapato School District No. 207 Yakima County September 1, 2014 through August 31, 2017

This schedule presents the status of findings reported in prior audit periods.

Audit Period: 9/1/11 – 8/31/14	Report Ref. No.: 1014801	Finding Ref. No.: 2014-001				
Finding Caption: The District's internal Controls over General Fund and Associated Student Body (ASB) cash receipting are inadequate to safeguard public resources.						
Background: The District has not dedicated the necessary resources to establish internal controls over cash receipting, fundraisers and concessions at the High School to safeguard public funds. Also, the High School has not made it a priority to address prior audit recommendations in this area.						
Status of Corrective Action: (check one) <table><tr><td><input type="checkbox"/> Fully Corrected</td><td><input checked="" type="checkbox"/> Partially Corrected</td><td><input type="checkbox"/> Not Corrected</td><td><input type="checkbox"/> Finding is considered no longer valid</td></tr></table>			<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The District purchased a cash register for use for gate receipts. The cash register prints a receipt at the end of the night. The receipt is used to summarize the adult / student entry. This receipt is used for the cash summary report, which reconciles cash to tickets. The District will implement a system to review the gate receipts after each season to ensure the correct documentation is on file and any discrepancies are reviewed in a timely manner. We will provide additional training to all gate receipt takers on the reconciliation process.</i> <i>The monitoring of inventory for concessions was given to the marketing class to monitor and record inventory. The marketing class developed a process to monitor and record inventory. Once this was established, the ASB leadership was in charge of inventory. Inventory for concessions is checked out to each club for use. The inventory is kept in a separate area than the concession stand. Each club only has access to what was checked out to them. The District will provide additional training to club advisors on reconciling inventory to actual inventory</i>						

sold and comparing totals to actual cash received. We will also review the concession reconciliations after each season to ensure documentation is on file for any discrepancies that are found.

The District will retain documentation and any follow up notes for any voids that occur. This will ensure the District has reviewed voids or refunds being issued. The District will provide additional training to staff on issuing voids and refunds to ensure the proper process is being completed.

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

Wapato School District No. 207 serves approximately 3,400 students in Yakima County. The District provides a full range of school programs and services including pre-school, basic elementary, middle school, high school, vocational, Running Start, bilingual and special education, as well as an alternative school for fifth through 12th grade students. In addition, the District provides pupil transportation.

An elected, five-member Board of Directors governs the District. The Board appoints management to oversee the District's daily operations as well as its 370 employees. For the years under audit, the District operated on annual budgets of approximately \$35 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 Wapato School District No. 207 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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