

Washington State Auditor's Office

Accountability Audit Report

Steilacoom Historical School District No. 1 Pierce County

Report Date
April 15, 2014

Report No. 1011713

Issue Date
April 28, 2014



**Washington State Auditor
Troy Kelley**

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

April 28, 2014

Board of Directors
Steilacoom Historical School District No. 1
Steilacoom, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Steilacoom Historical School District No. 1's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

TROY KELLEY
STATE AUDITOR

Table of Contents

Steilacoom Historical School District No. 1
Pierce County
April 15, 2014

| | |
|--|---|
| Audit Summary | 1 |
| Related Reports | 2 |
| Description of the District | 3 |
| Schedule of Audit Findings and Responses | 6 |

Audit Summary

Steilacoom Historical School District No. 1 Pierce County April 15, 2014

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Steilacoom Historical School District No. 1 from September 1, 2012 through August 31, 2013.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

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 noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Cash receipting
- Donations/fundraising
- Associated Student Body
- Procurement (bidding/prevaling wage)
- Payments/expenditures
- Teacher education and experience (staff mix) reporting
- Student enrollment reporting
- Student transportation reporting
- Surplus property

RESULTS

In most areas, the District complied with state laws and regulations and its own policies and procedures.

However, we identified a condition significant enough to report as a finding:

- Inadequate controls over transportation reporting.

We also noted certain matters that we communicated to District management. We appreciate the District's commitment to resolving those matters.

| |
|------------------------|
| Related Reports |
|------------------------|

Steilacoom Historical School District No. 1
Pierce County
April 15, 2014

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.

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 Federal Summary section of the financial statement and single audit report.

Description of the District

Steilacoom Historical School District No. 1

Pierce County

April 15, 2014

ABOUT THE DISTRICT

Steilacoom Historical School District No. 1 provides educational services to more than 2,800 students in western Pierce County. The District has one high school, one middle school and five elementary schools.

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 300 employees. For fiscal year 2013, the District operated on a combined budget of more than \$40 million.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Directors:

Samuel Scott
Yoshie Wong
Don Denning
Jason Pierce (effective January 2014)
Bob Forbes (effective January 2014)
Mike Winkler (through December 2013)
Kevin Callanan, (through December 2013)

APPOINTED OFFICIALS

Superintendent

Bill Fritz (through June 2013)
Kathi Weight (effective July 2013)

DISTRICT CONTACT INFORMATION

Address: Steilacoom Historical School District No. 1
510 Chambers
Steilacoom, WA 98388

Phone: 253-983-2209

Website: www.steilacoom.k12.wa.us

AUDIT HISTORY

We typically audit the District's federal funding every year and for accountability every two years. We have noted multiple exceptions in prior audits.

The 2012 audit reported two findings in the single audit, one regarding the Schedule of Expenditures of Federal Awards and the other regarding noncompliance with the Title 1 program. Both of these findings are resolved.

The 2011 audit reported five findings: three single audit findings, one financial statement finding and one accountability finding.

The single audit findings included:

- A lack of internal controls to ensure compliance with federal Title I requirements. A repeat finding was issued in the 2012 audit.
- Inadequate monitoring of Special Education grant expenditures to ensure compliance with federal requirements, resulting in more than \$79,000 in questioned costs. This issue has been resolved.
- Inadequate internal controls to ensure compliance with federal and state procurement and suspension and debarment requirements. This issue has been resolved.

The financial statement finding was due to a lack of internal controls over financial statement preparation resulting in inaccurate financial reporting. This issue has been resolved.

The District received an accountability finding related to the District's Alternative Learning Experience program. This issue has been resolved.

The 2008 audit reported a federal compliance finding related to cash management of the Special Education grant. This issue has been resolved.

In 2007 the District did not have adequate support for its Alternative Learning Experience program, resulting in \$1.3 million dollars of questioned enrollment funding. This issue has been resolved.

Schedule of Audit Findings and Responses

Steilacoom Historical School District No. 1 Pierce County September 1, 2012 through August 31, 2013

1. The Steilacoom Historical School District does not have adequate internal controls over transportation reporting.

Description of Condition

School districts receive revenue from the state to provide student transportation. Districts receive part of this funding based on a formula that considers the number of students receiving the services. Three times a year districts are required to report to the Office of Superintendent of Public Instruction (OSPI) the number of students who ride the bus and the annual mileage of the busses.

In 2013 the District received \$930,910 for student transportation. District transportation is provided by a contracted company.

We reviewed all three of the ridership counts submitted in fiscal year 2013 and found:

- No supporting bus driver count sheets for the fall and spring ridership to confirm amounts reported were accurate
- The winter count had supporting driver count sheets for five days but the District could not provide what day was reported.

During the audit, the contractor calculated the total riders for each day counted in winter and all were less than what was reported by the District. We found the District over reported 199 basic riders, 126 in the walk area, and under reported special riders by 55.

We also examined the annual mileage reported and found:

- No supporting mileage reports for the buses were kept to show how the District arrived at the 291,678 miles to and from school.
- No support for the how the District calculated the 25,293 miles in field trip mileage that was deducted from total mileage to determine funding.

During the audit, the contracted transportation company was able to create mileage reports based on the buses' GPS information and calculated 357,407 miles, which included the 25,293 miles for field trips leaving a remaining 40,436 miles more than reported by the District.

Cause of Condition

The District did not adequately monitor the private bus company's activities to ensure original supporting documentation was retained and ridership data were accurately reported.

Effect of Condition

Without supporting documentation we cannot determine if the District was properly funded.

Recommendation

We recommend the District implement controls to ensure it retains transportation records and it reports ridership accurately and completely.

District's Response

The district is working with the bus transportation contractor to implement proper internal controls and procedures to ensure accurate reporting of student transportation information to Office of Superintendent of Public Instruction. The internal controls and procedures will ensure counts are performed in compliance with OSPI regulations and all counts are properly calculated, supported and confirmed by the district prior to reporting.

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

WAC 392-141-420, District record keeping requirements, states in part:

All data and forms necessary to develop the district's student transportation report shall be maintained in accordance with the district record retention schedule and shall include the following:

- (1) All school bus route logs and school bus driver daily logs including those required in WAC 392-141-330. If student lists are maintained for each school bus route, a copy (electronic or paper) of the list in effect for each count period;
- (2) All documentation used to verify the number of students boarding the bus at bus stops within the walk area of their school of enrollment;

- (3) All documentation used to report and verify the location of school bus stops used in home to school transportation, including school destinations and transfer points;
- (4) All documentation used to develop the annual school bus mileage report.



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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor
Chief of Staff
Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
Deputy Director of Quality Assurance
Deputy Director of Communications
Local Government Liaison
Public Records Officer
Main number
Toll-free Citizen Hotline

Troy Kelley
Doug Cochran
Chuck Pfeil, CPA
Kelly Collins, CPA
Jan M. Jutte, CPA, CGFM
Sadie Armijo
Mark Rapozo, CPA
Lou Adams, CPA
Barb Hinton
Thomas Shapley
Mike Murphy
Mary Leider
(360) 902-0370
(866) 902-3900

Website
Subscription Service

www.sao.wa.gov
portal.sao.wa.gov/saoportal/Login.aspx