

# **Washington State Auditor's Office**

## **Accountability Audit Report**

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### **Morton School District No. 214** **Lewis County**

Report Date  
**May 8, 2014**

**Report No. 1011902**

Issue Date  
**May 19, 2014**



**Washington State Auditor**  
**Troy Kelley**

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## Washington State Auditor Troy Kelley

May 19, 2014

Board of Directors  
Morton School District No. 214  
Morton, 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 Morton School District No. 214'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

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**Lewis County**  
**May 8, 2014**

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# Audit Summary

## Morton School District No. 214 Lewis County May 8, 2014

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Morton School District No. 214 from September 1, 2010 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:

- Open Public Meetings Act
- General revenue and expenditures
- Enrollment
- Staff mix
- Transportation
- Payroll
- Cash receipting
- Citizen hotline
- Financial condition
- Associated Student Body
- Internal controls over disbursements

### ***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:

- The District's inadequate controls over payroll resulted in unsupported payments totaling \$62,014.

## **Related Reports**

**Morton School District No. 214**  
**Lewis County**  
**May 8, 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 program, which is listed in the Federal Summary section of the financial statement and single audit report. That report includes a federal finding regarding the District's internal controls over allowable costs and procurement.

## Description of the District

### Morton School District No. 214

Lewis County

May 8, 2014

#### ***ABOUT THE DISTRICT***

Morton School District No. 214 provides public school services to approximately 385 students in kindergarten through 12th grade in Lewis County. The District operates one elementary school and one junior/senior high school.

An elected, five-member Board of Directors is the primary policy-making body, exercising budgetary and financial control for the District. Board Members serve staggered, four-year terms. The Board appoints a Superintendent to oversee the day-to-day operations of the District and carry out the decisions made by the Board. The District has a staff of 51 employees. For the fiscal years 2011, 2012 and 2013, the District operated on annual budgets of approximately \$4.7 million, \$4.9 million and \$4.6 million, respectively.

#### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Directors:

Krishna Eveland (effective January 2012)  
Stacey Loflin (through December 2011)  
Warren Dunlap  
Don Powell  
Rebecca Coleman (January 2012-  
December 2012)  
Betty Hutchison

#### ***APPOINTED OFFICIALS***

Superintendent

Dr. Steve Bodnar

## ***DISTRICT CONTACT INFORMATION***

Address: Morton School District No. 214  
P.O. Box 1219  
Morton, WA 98356

Phone: (360) 496-5300

Website: [www.morton.k12.wa.us](http://www.morton.k12.wa.us)

## ***AUDIT HISTORY***

We perform an accountability audit of the District every three years. The 2005 audit contained four findings related to the District's financial condition, payroll, staff mix and Associated Student Body activities. Those issues have been resolved. The audits for 2006 through 2009 were free of findings.

# Schedule of Audit Findings and Responses

**Morton School District No. 214**

**Lewis County**

**May 8, 2014**

**1. The District's inadequate controls over payroll resulted in unsupported payments totaling \$61,060.**

## **Description of Condition**

The District processes payroll for approximately 105 full-time, part-time and substitute employees. The 2011, 2012 and 2013 gross payroll expenditures were approximately \$2,398,000, \$2,413,000 and \$2,241,000, respectively. Hourly or classified employees are paid monthly based on handwritten monthly timesheets or contracts. Salaried or certificated employees are paid based on contracts.

Our audit identified a total of \$113,490 in payroll costs without documented approval and six employees not paid according to their approved contracts with a net overpayment of \$18,157. Three employees selected did not have supplemental contracts, 23 employees received pay for other items such as trainings and extra days that lacked adequate support and approval. Additionally, 10 employees received leave cash outs totaling \$43,614 that did not have documented approval.

## **Cause of Condition**

The District does not have adequate policies and procedures over payroll.

The District does not keep adequate documentation to support contract pay, supplement contract pay, training pay, extra days, and leave cash-out pay.

## **Effect of Condition**

The District did not have adequate supporting documentation for payroll payments totaling \$61,060.

Inadequate internal controls increase the risk of a loss of public funds and impair the District's ability to prevent or detect errors and irregularities in a timely manner, if at all.

## **Recommendation**

We recommend the District:

- Establish District wide policies and procedures over payroll.
- Retain timesheets and contracts to support all payroll expenditures.



## **District's Response**

*The District has moved a different employee into the payroll position since the prior employee who did payroll left the District in December 2013. The new employee is currently working with the superintendent to establish adequate policies and procedures. She has recreated time sheets to record time and effort along with the daily in and out hours that employees are working. She has also made sure that supplemental contracts are being given to employees that are working under contracts. All payroll worksheets and payroll documents are verified and signed off by the superintendent or district secretary. All documents received in the office for pay, contract/or extra time are being signed off by the supervisor in charge before items are being paid out.*

## **Auditor's Remarks**

We appreciate the District's commitment to resolving the issues noted and will follow up during the next audit.

## **Applicable Laws and Regulations**

Accounting Manual for School Districts in the State of Washington, Chapter III, Internal Control Structure, states in part:

### **Basic Internal Control Requirements**

Each school board is responsible for establishing and maintaining an effective system of internal control throughout the school district.

An internal control system should provide reasonable assurance that a school district will accomplish its educational objectives. The concept of reasonable assurance recognizes that the cost of an internal control activity should not exceed the benefit derived from it. Reasonable assurance equates to a satisfactory level of confidence given considerations of costs, benefits, and risks.

School district management should identify and analyze the risks in achieving educational objectives and determine how to most effectively and efficiently manage those risks. Management defines the level of risk that the school district is willing to accept and strives to maintain risks within those levels.

Each school district should adopt methods to assess risk and review control activities. The methods developed should address each school district's specific needs.

Local Government Common Records Retention Schedule, GS50-03E-04, Time Cards/Time Sheets, minimum 4 years. Time records subject to federal audit should be retained per federal requirements.

Local Government Common Records Retention Schedule, GS50-01-11,  
Contract and Agreements – General. Retain for 6 years after termination  
or expiration of instrument then destroy.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

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**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**  
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