

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Pateros School District No. 122-70J September 1, 2016 through August 31, 2018

2018-001 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 of the safeguarding of public resources. A lack of or inadequate internal controls can hinder the District's ability to prevent or detect misappropriation and comply with laws and policies.

Districts may use Associated Student Body (ASB) funds for optional and noncurricular activities that are cultural, athletic, recreational or social in nature, or otherwise support the activities and programs of ASBs. Pateros School District's ASB program collected revenues of \$66,601 and \$76,819 during fiscal years 2017 and 2018, respectively.

Description of Condition

During our review of the 2017 and 2018 school years' ASB activities and procedures, we identified the following conditions:

Fundraisers

We tested 12 ASB fundraisers and events and found that documentation was either inadequate or missing. The District did not:

- Require clubs to complete a profit analysis, reducing the District's ability to detect potential loss
- Require clubs to complete daily or final reconciliations for eight of the 12 events tested
- Document beginning and ending ticket numbers for one of the events tested

The District lacked adequate documentation to support it deposited all receipts intact. Specifically, we found the District did not deposit \$70 in T-Shirt sales receipts. These receipts are unaccounted for and represent a loss of public funds.

Minutes

The Student Council did not adequately document meeting minutes as follows:

- The Student Council approved open purchase orders; however, it did not document approval for \$15,232 of \$125,344 expended in the minutes.
- Minutes did not include the meeting attendees for 21 of the 23 months reviewed.
- Minutes did not include the approval of prior meeting minutes for four of the 23 minutes reviewed.
- Minutes did not include details of review of annual budgets.

We reported similar conditions during the prior accountability audit.

Cause of Condition

The District did not allocate the necessary resources and oversight to establish adequate internal controls or policies over ASB activities, perform all ASB activities in accordance with state laws and regulations, and ensure activities are properly supported and monitored.

The District also did not ensure previous audit recommendations were completely implemented.

Effect of Condition

Inadequate internal controls over ASB fundraising and disbursements, including insufficient approval and monitoring by the ASB Student Council, increase risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner, if at all.

The District did not deposit \$70 in T-Shirt sales. These receipts are unaccounted for and represent a loss of public funds.

Recommendations

We recommend the District improve internal controls over ASB activities to ensure compliance with state laws and regulations and adequately safeguard public resources. These improvements should include that the District:

- Reconcile fundraiser receipts to expected revenue derived from inventory sold, tickets or other methods 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 payments, prior minutes, attendees, and details of annual budgets
- Improve policies and procedures to provide guidance for required documentation and overall fundraiser expectations

District's Response

The Pateros School District acknowledges the above deficiencies and will implement a plan to hold the ASB program accountable for their program.

Auditor's Remarks

We appreciate the District's commitment to addressing these issues. We will review the District's changes during our next audit.

Applicable Laws and Regulations

RCW 28A.400.030 Superintendent's duties

WAC 392-138-125 Associated student body public moneys – Disbursement approval – Total disbursements.

WAC 392-138-014 Accounting procedures and records.

Accounting Manual for Public School Districts in the State of Washington – Chapter 9 Information Unique to Each Fund, Associated Student Bodies Association.