



Office of the Washington State Auditor
Pat McCarthy

Assessment Audit Report
Glenwood School District No. 401

For the period September 1, 2017 through August 31, 2018

Published July 11, 2019

Report No. 1024280





**Office of the Washington State Auditor
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July 11, 2019

Board of Directors
Glenwood School District No. 401
Glenwood, Washington

Report on Assessment Audit

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.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff and we value your cooperation during the assessment audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

AUDIT SUMMARY

Results in brief

Based on the procedures performed, except as described below, nothing came to our attention in the areas we reviewed that caused us to believe the District was not in substantial compliance with applicable state laws, regulations, and its own policies, or had significant weaknesses in controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

As referenced above and described in the attached finding, the District should monitor compliance with state law when making payments to a municipal officer's related business.

This recommendation is included with our report as a finding.

About the assessment audit

This report contains the results of our independent audit of Glenwood School District No. 401 from September 1, 2017 through August 31, 2018.

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. School Districts are also required by state law (WAC 392-117-035) to prepare and submit certified annual reports to the Office of the Superintendent of Public Instruction (OSPI) detailing the District's revenues and other financing sources, expenditures and other financing uses, assets, liabilities, financial condition, and fund balances.

This assessment audit was conducted under the authority of RCW 43.09.260, which requires the State Auditor's Office to examine the financial affairs of all local governments at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as school districts with 250 or fewer FTE students. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the District.

This assessment audit was limited to the following:

- Reviewing meeting minutes for compliance with the Open Public Meetings Act.
- Inquiring as to internal controls over assets, revenues, and disbursements.
- Verifying that annual reports submitted to our Office were complete and filed timely in compliance with state law.

- Reviewing the District's annual revenues and expenditures for unusual transactions or trends.
- Corroborating financial information reported by the District by comparing its annual revenues, expenditures, and cash and investment balances to third-party sources.
- Reviewing expenditures for indications of unusual activities, excessive Board of Directors compensation, conflicts of interest, or procurement requirements. Based on that review, we compared selected expenditures with supporting invoices and voucher approvals to verify their validity and completeness.
- Evaluating the District's financial information for indications of financial difficulties.
- Using validation queries to verify the completeness and accuracy of WESPaC data.
- Reviewing payroll transactions for unusual or excessive payments.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Glenwood School District No. 401

September 1, 2017 through August 31, 2018

2018-001 A payment to the Superintendent's related business violated state conflict-of-interest laws.

Description of Condition

State law (RCW 42.23.030) in part limits payments to municipal officers or their businesses either directly or indirectly to \$1,500 a month. During the 2017-2018 school year, the District contracted with a business owned by the Superintendent's spouse for sidewalk maintenance. Our audit identified one payment for \$13,375 in November 2017 to the business, which exceeded the \$1,500 monthly threshold.

The District took steps to resolve the potential conflict by contacting our Office for guidance in October 2018, and subsequently decided to no longer contract with the business.

Cause of Condition

District staff and management were unaware payments made to the Superintendent's related business potentially violate state law.

Effect of Condition

The amount paid by the District in a single month exceeded conflict-of-interest limits. The Superintendent benefitted from the arrangement between the District and the related business, which was made under the supervision of the Superintendent.

Recommendation

We recommend the District continue to monitor compliance with state law when making payments to a municipal officer's related business.

District's Response

The Glenwood School District #401 recognizes that using Dirtworks Unlimited causes a conflict of interest with our superintendent when payments exceed \$1,500 per month. The district will follow State law RCW 42.23.030. Glenwood School District often has difficulty receiving bids from contractors with our rural location. Our current superintendent's employment started in July of 2015, however, the district had used Dirtworks Unlimited based out of Glenwood, WA since 2013 and

prior to that under the business name Gimlin Trucking & Excavating from 2009 to 2010.

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 regular audit.

Applicable Laws and Regulations

The Revised Code of Washington 42.23.030, Interest in contract prohibited - exceptions states in part:

“No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his or her office, or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein. This section shall not apply in the following cases:

(6)(a) The letting of any other contract in which the total amount received under the contract or contracts by the municipal officer or the municipal officer's business does not exceed one thousand five hundred dollars in any calendar month.”

INFORMATION ABOUT THE DISTRICT

Glenwood School District No. 401 serves approximately 70 kindergarten through 12th grade students in Klickitat County.

An elected, five-member Board of Directors governs the District. For the 2017-2018 school year, the District operated on a budget of approximately \$2.2 million and had about 25 employees.

Contact information related to this report	
Address:	Glenwood School District No. 401 P.O. Box 12 Glenwood, WA 98619
Contact:	Jaecee Hctor, Business Manager
Telephone:	509-364-3438
Website:	www.glenwood.k12.wa.us

Information current as of report publish date.

Audit history

You can find current and past audit reports for Glenwood School District No. 401 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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov