



Office of the Washington State Auditor
Pat McCarthy

Special Investigation Report

Sequim School District No. 323

For the investigation period May 1, 2016 through May 16, 2018

Published October 10, 2019

Report No. 1024661





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

October 10, 2019

Board of Directors
Sequim School District No. 323
Sequim, Washington

Report on Special Investigation

Attached is the official report on questionable activity at Sequim School District No. 323. On May 16, 2018, the District notified the Office of the Washington State Auditor of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

Our investigation was performed under the authority of state law (RCW 43.09.260) and included procedures we considered necessary under the circumstances.

If you are a member of the media and have questions about this report, please contact Director of Communications Kathleen Cooper at (360) 902-0470. Otherwise, please contact Fraud Investigation Manager Sarah Walker at (509) 454-3621.

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

cc: Darlene Apeland, Director of Business Operations and Finance

SPECIAL INVESTIGATION REPORT

Background and Investigation Results

On May 16, 2018, a citizen notified our Office regarding a potential loss of public funds. The Cheer Booster Club opened an unauthorized savings and checking account titled Sequim Cheer, which was used to receipt and spend funds belonging to Sequim School District.

The District hired a firm to investigate and conduct interviews. We reviewed the investigation summary and we determined questionable purchases from the accounts totaling \$9,432.92 occurred between May 2016 and May 2018.

We reviewed the investigation and agreed with its following conclusions:

- The Cheer Booster Club opened an unauthorized savings and checking account titled Sequim Cheer in May 2016. The account was closed in May 2018, at which time the District took possession of the \$2,419.99 remaining in the account.
- Between May 2016 and May 2018, the Booster Club deposited and spent funds related to ASB activities, which belonged to the District.

In addition, we reviewed the banking activity provided and made the following additional determinations:

- \$1,758.05 of the total \$12,462.86 deposited into the Booster Club account was District funds.
- \$3,789.06 of the total \$13,221.98 spent from the Booster Club account should have been District expenditures.
- \$9,432.92 of purchases and withdrawals from the Booster Club account were questionable. There was no supporting documentation to verify the purchase or purpose of the purchase.
- Nine months of bank statements were missing, which limited our review of total deposits and withdrawals in the unauthorized account.

In June 2018, the contracted investigation firm interviewed the Head Cheer Coach, who acknowledged she was involved in the formation of the Cheer Booster Club and used the Club's bank account debit card. She also told the investigator that no member of the Booster Club, including her, understood how to operate a Booster Club and they did not understand the differences between a Booster Club and Associated Student Body (ASB) activities.

Control Weaknesses

Internal controls at the District were not adequate to safeguard public resources. We found the following weaknesses allowed the questionable activity to occur. The District did not:

- Adequately monitor ASB activities to ensure District funds were properly receipted.
- Provide adequate training ASB activity requirements.

Recommendations

We recommend the District:

- Strengthen monitoring over ASB activities, including cash receipting and expenditures
- Provide adequate training of ASB requirements to coaches, advisors, teachers and other District staff

District's Response

Sequim School District has started the process of ensuring adequate monitoring of ASB activities. We are providing adequate training of the ASB requirements to coaches, advisors, teachers and other district staff. Booster Clubs, PTSA groups and any other group interested in supporting Sequim School District programs are required to go to training.

February 6, 2019, Sequim School District held the first Information/question/answer meeting at the District Office. The Director of Business Operations & Finance led the meeting with the support of a former Fiscal Officer. Principals, secretaries, athletic directors, coaches, ASB advisors, booster clubs, PTSA groups and school district employees involved in fundraisers for their groups were invited to this meeting. The meeting addressed differences between ASB fundraisers Booster club fundraisers. Participants were given documentation that answers questions about ASB and outside organizations that want to fundraise. Many questions were raised and answered during this meeting. The meeting was very successful and positive.

Starting the 2019-20 school year, we will have our first Information/question/answer meeting at the District Office on October 9, 2019. We will hold two meetings that day so that everyone has an opportunity to attend. The above-mentioned groups are again invited to this meeting.

There will be an additional meeting scheduled in February/March 2020.

Sequim School District continues to strengthen monitoring over ASB activities, including cash receipting and expenditures. ASB secretaries are ensuring accurate cash receipting and deposits are being made daily. All expenditures are monitored by the Assistant Principal and ASB Secretary. Additionally, expenditures are approved by ASB council. The district has also asked for ways to improve and strengthen ASB monitoring and been given information from the State

Auditors Office in March of 2019 and advice is being followed by Sequim School District personnel.

Sequim School District strives to be good stewards of public resources and will continue to strengthen our internal controls.

Auditor's Remarks

We thank District officials and personnel for their assistance and cooperation during the investigation.

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