



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Touchet School District No. 300

For the period September 1, 2017 through August 31, 2019

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

August 31, 2020

Board of Directors
Touchet School District No. 300
Touchet, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff, and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined.

As referenced above, we identified areas where the District could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of Touchet School District No. 300 from September 1, 2017 through August 31, 2019.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended August 31, 2019 and 2018, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Use of restricted funds – professional learning and Associated Student Body
- Establishment of local revenue and expenditure accounts
- Accounts payable – electronic funds transfers
- Associated Student Body activities at Touchet Elementary and High School – fundraisers
- Payroll – gross wages
- Procurement – professional services

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2019-001 The District did not have adequate controls in place to safeguard Associated Student Body (ASB) funds and comply with ASB requirements.

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. Inadequate internal controls can hinder the District's ability to prevent or detect misappropriation and comply with laws and policies. The District received a finding in the previous two audits over internal controls over ASB funds and activities. The District averages about \$58,000 in annual ASB revenues.

Description of Condition

The District did not follow ASB activity requirements in accordance with the Accounting Manual for Public School Districts in the State of Washington.

We reviewed five ASB activities and identified:

- The District did not prepare a profit analysis summarizing all financial transactions of the fundraiser and explaining any variance between expected and actual amounts earned.
- The ASB officers did not prepare and review fundraiser reconciliations showing the net profit for three fundraisers.
- The District did not prepare a daily reconciliation form for three fundraisers to ensure all collected funds were deposited.
- For two ticket events, the ticket sellers did not complete all athletic event daily ticket sales reconciliations. They did not document the number of tickets that were signed out and who signed them out, as well as the number of tickets sold and returned, to ensure all revenues were received from tickets sold.

Cause of Condition

The District did not allocate the necessary resources and oversight to establish adequate internal controls over ASB activities to comply with state laws and regulations. Further, the District had turnover in the ASB Advisor position during the audit period.

Effect of Condition

Inadequate internal controls over ASB cash receipting activities increase the risk that a loss or misappropriation of public funds could occur and not be detected promptly, if at all.

Recommendation

We recommend the District:

- Perform a profit analysis and reconciliation for all ASB activities
- Complete athletic ticket daily sale reconciliations showing whom tickets have been signed out to, the number of tickets signed out, and the number of tickets returned

District's Response

The Touchet School District acknowledges and accepts audit finding 2019-001. The District did not have adequate controls to safeguard Associate Student Body funds for the audit cycle of 2017-2018 and 2018-2019. Further, the District recognizes it did not prepare profit analysis or reconciliations for all events, including those with numbered ticket sales.

Since the current audit cycle, the District has taken measures to satisfy audit recommendations and will continue to further improve upon the already established processes. Beginning in September 2019, ASB Director duties shifted to Mrs. Lisa Franklin, who has made all efforts to attend trainings and seminars as they pertain to ASB duties. Some changes she has already adopted into her regular ASB processes include the conditions described in the finding such as;

- *All ASB fundraisers must include profit/loss analysis*
- *Fundraiser reconciliations must show net profits (or losses)*
- *Daily reconciliations are and will be handled by front office staff the day of, or the day after events*
- *All ticket sales will be numbered, as well document the seller and tickets sold*

While the District does not believe any purposeful misappropriation took place during the audit cycle, it acknowledges that the changes mentioned above will further mitigate the risk said misappropriation and therefore finds these changes just and necessary.

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 our next regular audit.

Applicable Laws and Regulations

RCW 28A.325 Associated Student Bodies

Accounting Manual for Public School Districts in the State of Washington,
Chapter 3

Accounting Manual for Public School Districts in the State of Washington,
Chapter 9 Information Unique to Each Fund, Associated Student Body Funds

WAC 392-138-0124 Accounting Procedures and records

TOUCHET SCHOOL DISTRICT NO. 300

P. O. BOX 135, TOUCHET, WASHINGTON 99360

Phone 509.394.2352

Fax 509.394.2952

Board of Directors

Sylvia Schaeffer, Chair
Cathy Schaeffer
Claudia Borgens
Lincoln Short
Ashley Carlisle

Administration

Robert Elizondo, Superintendent
Darrell Loney, Athletic Director
Lisa Franklin, Counselor

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Touchet School District No. 300 September 1, 2017 through August 31, 2019

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
9/1/2015 – 8/31/2017	1021485	2017-001
Finding Caption: The District did not have adequate controls in place to safeguard Associated Student Body (ASB) funds and comply with ASB requirements.		
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. The District received a finding in the previous audit over internal controls over ASB funds and activities. The current audit found the District continued to have control deficiencies over ASB activities. The District averages about \$57,000 in annual ASB revenues. The District did not follow ASB activity requirements in accordance with the Accounting Manual for Public School Districts in the State of Washington. <u>ASB fundraisers</u> We reviewed two fundraisers and identified: <ul style="list-style-type: none">• A profit/loss analysis was not prepared for one fundraiser.• The ASB officers did not prepare and review reconciliations for either fundraiser. <u>ASB athletic events (ticket sales)</u> We reviewed six athletic events and identified: <ul style="list-style-type: none">• The ticket sellers did not complete all athletic event daily ticket sales reconciliations properly to include the beginning cash amount on hand, the beginning and ending ticket numbers, and the amount collected.		

- The ticket sellers did not sign the reconciliations.
- The District did not follow up on variances of cash collected to expected ticket sales totaling \$187.

Status of Corrective Action: (check one)

☐ Fully Corrected

 ☒ Partially Corrected

 ☐ Not Corrected

 ☐ Finding is considered no longer valid

Corrective Action Taken:

As of September 2019, the new ASB Director, Lisa Franklin, has implemented processes that endure adequate follow-up and accountability for ticket sales/reconciliation, as well as mandatory profit/loss analysis to every event. In addition, the Athletic Director and front office personal now review ticket sales sheets for signatures and completeness before reconciliation process.

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Touchet School District No. 300 serves about 200 students in kindergarten through 12th grade in Walla Walla County.

An elected, five-member Board of Directors governs the District. The Board appoints a Superintendent to oversee the District's daily operations as well as its 21 certificated and 39 classified employees. The District had revenues of about \$4.6 million and expenditures of \$4.6 million for the 2017-2018 school year and revenues of about \$4.8 million and expenditures of \$4.7 million for the 2018-2019 school year.

Contact information related to this report	
Address:	Touchet School District No. 300 P.O. Box 135 Touchet, WA 99360
Contact:	Jose Godinez, Accounting Budget Payroll Manager
Telephone:	(509) 394-2352
Website:	www.touchet.k12.wa.us

Information current as of report publish date.

Audit history

You can find current and past audit reports for Touchet School District No. 300 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	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov