



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Quincy School District No. 144

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

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

September 21, 2020

Board of Directors
Quincy School District No. 144
Quincy, 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

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

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

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

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 Quincy School District No. 144 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. In addition, as part of this audit we followed up on the special investigation report issued November 13, 2018, over Associated Student Body (ASB) activities. We examined the following areas during this audit period:

- Establishment of local revenue and expenditure accounts
- Use of restricted fund – professional learning

- Associated Student Body activities – fundraisers, cash receipting, expenditures, and council meetings
- Payroll – gross wages, leave cash outs, and additional compensation
- Accounts payable – credit card expenditures

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2019-001 The District's internal controls over Associated Student Body fundraising 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 fulfill those responsibilities.

Districts may use Associated Student Body (ASB) funds for optional and noncurricular activities that are cultural, athletic, recreational or social in nature, or which otherwise support the activities and programs of ASB. Quincy School District's ASB program collected revenues of \$424,013 and \$438,469 during fiscal years 2018 and 2019, respectively.

Description of Condition

We examined eight fundraisers with revenues totaling \$82,564 and found the District:

- Could not demonstrate that the ASB Student Council and ASB Advisor approved four events that generated revenues of \$48,321
- Did not complete profit estimates for three events that generated revenues of \$38,671, reducing its ability to obtain a prior determination of the amount expected to be received
- Did not reconcile merchandise sold by students to the amount provided by the vendor for one fundraiser, reducing the District's ability to detect potential loss. The fundraiser generated revenues of \$27,616.
- Purchased 178 yearbooks, sold 169, and retained one copy. The District could not account for the remaining eight copies.
- Did not have a process to reconcile ASB cards sold throughout the year to actual amounts collected
- Did not complete a final reconciliation and profit analysis for three events that generated revenues of \$38,671, reducing its ability to detect potential loss. Also, profit analysis for four events were not fully complete and lacked signatures to demonstrate approval by the ASB Student Council.

We reported similar conditions during the prior accountability audit.

Cause of Condition

District staff did not follow required procedures and complete required forms while conducting fundraising activities, and District oversight was not adequate to ensure staff did so.

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 could occur and not be detected in a timely manner, if at all.

Recommendation

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

- Monitor fundraiser activities to ensure staff follow and complete required procedures and forms
- Complete profit estimates for all fundraisers to help determine the amount expected to be received
- Reconcile fundraiser receipts to expected revenue derived from sales documentation such as inventory sold, tickets or other methods of estimating expected revenue
- Reconcile ASB cards sold throughout the year to amount collected

District's Response

The District developed new processes and procedures in 2018/19 related to the approval and documentation related to ASB fundraising and had great success at all sites other than Quincy Middle School and Quincy High School. The District recognizes the need for more oversight at the Quincy Middle School and Quincy High School related to the ASB Cards, Yearbook sales and concessions. We take the management of student funds very seriously and have already convened meetings with the Superintendent, Business Manager and Leadership at those buildings to ensure that the processes in place will be followed and managed properly.

The District is implementing new steps in the approval of all ASB activities/fundraisers. The District Business Manager will review all ASB activity approval forms to ensure all parts of the form are completed and correct prior to submission to ASB. After approval by the ASB, the ASB secretaries will follow up

with all activities to ensure that the reconciliation and related documentation is gathered and complete. The District will develop a roles and responsibilities list for each site to make it clear what types of responsibilities each staff member has. The Business Manager, the Superintendent and the Building Leadership will review the roles and responsibilities document at our monthly meeting to ensure that each employee is monitoring and complying with ASB rules and procedures.

In addition, the District is engaging in mandatory annual training for all key staff involved in ASB. WASBO has been secured to do a personalized ASB training for the District and on-demand trainings will be provided for those staff that become active in ASB later in the year. The District will provide on-going support and training to respond to questions and provide guidance through internal audits on a regular basis. Monthly meetings have been planned for key ASB staff and leadership at Quincy Middle School and the Quincy High School to ensure that each employee is accountable and complying with ASB rules and procedures.

Additionally, through supervision and evaluation processes of leadership at each site, the Superintendent and the Assistant Superintendent will include notes and goals related to ASB financial management and monitor them regularly.

Auditor's Remarks

We appreciated the steps the District is taking to address this concern and we will review this during the next audit of the District.

Applicable Laws and Regulations

Accounting Manual for Public School Districts in the State of Washington Chapter 3, Accounting Guidelines, Internal Control Structure, sets forth requirements for establishing and maintaining an effective system of internal controls.

Accounting Manual for Public School Districts in the State of Washington, Chapter 9, Information Unique to Each Fund, Associated Student Bodies Association, sets forth guidelines for accounting of ASB funds.

RCW 28A.400.030 Superintendent's duties, sets forth requirements for the school district superintendent to keep accurate records and detailed accounts for receipts and expenditures of school money.

RCW 28A.325.030 Associated student body program fund; Fund-raising activities; Non-associated student body program fund moneys, sets forth requirements for conducting ASB fund-raising.

WAC 392-138-014 Accounting procedures and records, sets forth requirements for accounting methods and procedures to follow regulations and guidelines

established in the Accounting Manual for Public Schools in the State of Washington.

WAC 392-123-010 The Accounting Manual, sets forth the requirements for the use of the accounting manual by the District.



Quincy
School
Opportunities Unlimited for All

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Quincy School District No. 144 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.:
September 1, 2015 through August 31, 2017	1021446	2017-001
Finding Caption:		
The District’s internal controls over Associated Student Body activities were insufficient to safeguard against potential loss and noncompliance with law and regulations.		
Background:		
Inadequate internal controls over ASB fundraising and disbursements, including insufficient approval and monitoring by the ASB Student Council, increase the risk that a loss or misappropriation of public funds might occur and not be detected quickly, if at all.		
<i>Fundraisers and events:</i>		
The District did not retain source documentation of sales and did not reconcile actual funds collected to activity to detect or prevent loss of inventory or receipts. Additionally, it could not demonstrate that the ASB Student Council and ASB advisor approved all fundraisers.		
<i>Cash receipting:</i>		
The person at the building level responsible for receipting cash, writing manual receipts or entering into the point of sale system (POS), and preparing the deposit was also for delivering the deposit to the bank, which increases the risk of loss or misappropriation.		
<i>Deposit timeliness:</i>		
The District did not deposit receipted funds within 24 hours, which does not comply with state law or the School District Accounting manual. In addition, controls were not designed to detect variances in the timeliness of deposits.		

Physical access:

District buildings use safes to hold funds before deposit. However, the District did not limit access to the safes at the high school and one elementary school building.

Disbursements:

Purchases were made for curricular activities and not an allowable use of ASB funds. Additionally, not all expenditures were approved by the Student Council before paying the vendor.

Minutes:

Meeting minutes did not clearly document ASB activity for approval, and did not consistently identify sufficient details of expenditures and fundraisers. Additionally, ASB did not record minutes for the 2015 – 2016 school year.

In June 2017, the District notified our Office of a suspected loss of public funds, which we investigated.

Status of Corrective Action: (check one)

Fully Corrected Partially Corrected Not Corrected Finding is considered no longer valid

Corrective Action Taken:

The District has made significant improvements and will continue the process of restructuring district-wide fundraising processes to ensure that adequate documentation is obtained and that authorization is secured during all future fundraising activities. The District has provided numerous ASB trainings and will continue to offer educational opportunities on an on-going basis to facilitate the dissemination of the processes and expectations.

In August of 2017, Quincy School District moved all cash receipting to an electronic format and provided each school with a Point-of-Sale system. This system will help to track the timeliness of deposits and promote consistency amongst all sites. The District is still working with the County Treasurer to file for a deposit waiver that will enable schools to make a deposit no less than twice a week if a deposit total falls under a certain defined threshold. In addition, we have been working with administrators at each building to determine best practice regarding separation of duties involving deposits.

The District has obtained safes for all schools to ensure that funds are secure while on-site. Additionally, the District is having Keyhole Security reset combinations on a regular basis for added security.

Starting in June 2018, all Physical Education uniform funds began running through the General fund as a class fee. The District is also working on the establishment of better practices to ensure approval is occurring for all ASB expenditures, in addition to, the current practice of the pre-approval of the purchase orders.

RELATED REPORTS

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. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal programs, which are listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report includes a federal finding regarding Title I eligibility requirements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Special investigations

The State Auditor's Office issued a report on a misappropriation of public funds at the District. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Quincy School District No. 144 serves approximately 2,980 students in kindergarten through 12th grade in Grant County. The District operates five grade schools, a middle school, a high school, and an alternative school.

An elected, five-member Board of Directors governs the District. Board Members serve staggered, four-year terms. The Board appoints a Superintendent to oversee the District's daily operations as well as its 400 employees. For fiscal years 2018 and 2019, the District operated on an annual budget of approximately \$40 million and \$44 million, respectively.

Contact information related to this report	
Address:	Quincy School District No. 144 119 J Street S.W. Quincy, WA 98848
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Information current as of report publish date.

Audit history

You can find current and past audit reports for Quincy School District No. 144 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
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