



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Rochester School District No. 401

For the period September 1, 2018 through August 31, 2020

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

May 17, 2021

Board of Directors
Rochester School District No. 401
Rochester, 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 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.

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 Rochester School District No. 401 from September 1, 2018 through August 31, 2020.

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 Washington 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, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Student enrollment reporting
- Use of restricted funds – professional learning and local revenues
- Accounts payable – electronic funds transfers
- Associated Student Body activities at Rochester High School – fundraisers
- Open public meetings – documentation of meetings, executive sessions, and special meetings

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2020-001 The District's internal controls are inadequate to ensure accurate enrollment reporting for skill center students.

Background

The Office of the Superintendent of Public Instruction (OSPI) establishes the rules and provides instructions on how school districts may contract with other entities for basic enrollment education and how to report basic enrollment for state funding.

Rochester School District participates as a member of the New Market Skills Center (Center) to provide classes for their students. The Center calculates reportable enrollment of students in these programs and includes these counts in its enrollment numbers submitted to OSPI for funding. The District and the Center are both eligible to report enrollment for the time the student attends classes at the respective locations. However, students enrolled in classes at the Center and the District can only be reported for a maximum combined 1.60 Full Time Equivalency (FTE).

Description of Condition

In the 2020 school year, the District received about \$27 million in funding based on its enrollment and the education and experience of its teachers. The District enrolls about 2,144 students, on average 20 students attend the Center. During our audit we identified that the District reported students for basic enrollment funding for time they were enrolled in and attending Center classes. This resulted in both the District and the Center being compensated for the same class time for the same students.

Cause of Condition

The District did not have internal controls in place to determine if all partially enrolled students were accurately reported to OSPI.

Additionally, the District did not have the Center class minutes entered correctly in the automated system to reduce minutes enrolled in Center classes from the District's calculated FTE for basic enrollment reporting.

Effect of Condition

The District over reported FTE for the months of September 2019 through February 2020. Due to the COVID-19 pandemic, February 2020 was the last official P223 count for the school year; as a result, funding for March through June is projected based on reported enrollment from February 2020.

When the monthly FTE is converted to Annual Average FTE (AAFTE) the District over reported by 6.15 AAFTE. Including the projections from March through June, the District over reported by 9.06 AAFTE. This resulted in the District being overfunded by an estimated \$74,400.

Recommendation

We recommend the District establish internal controls that would identify and verify FTE of all partially enrolled students. We additionally recommend that the District work with the enrollment reporting software company to ensure that Center classes are appropriately entered into the enrollment reporting system, and are not included in the basic enrollment reporting for the District.

District's Response

The District concurs with the audit finding. Rochester School District is committed to providing the necessary training to employees to ensure future enrollment calculations are accurate and complete. In addition, internal controls have been developed to include a district level secondary review of FTE calculations that occur at the building level.

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

WAC 392-121-136 Limitation on enrollment counts.

WAC 392-121-138 Full-time equivalent enrollment of vocational education students.

Enrollment Reporting Handbook

New Market Skills Center Interdistrict Cooperative Agreement

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 program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Rochester School District No. 401 provides educational services to approximately 2,190 students in kindergarten through 12th grade. It has one high school, one middle school, one elementary school, a primary school for kindergarten through second grade and one alternative high school.

A five-member Board of Directors, elected to staggered, four-year terms, governs the District. The Superintendent is appointed by the Board and administers day-to-day operations as well as its approximately 290 employees. The District had an operating budget of \$33.9 million during the 2019-2020 School Year.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for Rochester 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 Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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