



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Entiat School District No. 127

For the period September 1, 2019 through August 31, 2022

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

September 14, 2023

Board of Directors
Entiat School District No. 127
Entiat, 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 Entiat School District No. 127 from September 1, 2019 through August 31, 2022.

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, 2022, 2021 and 2020, 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 local revenue for enrichment activities
- Compliance with supplemental contracts for enrichment activities
- Payroll – gross wages and electronic funds transfers
- Associated Student Body activities – fundraisers
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Entiat School District No. 127 September 1, 2019 through August 31, 2022

2022-001 The District's internal controls over Associated Student Body fundraising activities were insufficient to safeguard against potential loss and noncompliance with state laws and regulations.

Background

Management is responsible for designing and following internal controls that provide reasonable assurance the District is complying with state laws and policies, and safeguarding public resources. 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. Entiat School District's ASB program collected revenues of \$47,900, \$10,200 and \$30,300 during fiscal years 2020, 2021 and 2022, respectively.

Description of Condition

We examined nine fundraisers with revenues totaling \$8,877, and found the District did not:

- Complete reconciliations between amounts receipted and sales for any of the nine fundraisers
- Track inventory for five fundraisers that had inventory. The fundraisers generated \$2,329.
- Complete daily reconciliations for five fundraisers that occurred over multiple days. The fundraisers generated \$2,949.
- Deposit funds totaling \$1,608 within one week of receipt. The funds were deposited eight to 55 days after receipted.
- Collect a \$25 fee from a participant

We reported similar conditions during the prior accountability audit.

Cause of Condition

The District had staff turnover during the audit period. The employees who monitor ASB activities were not aware of the issues our Office communicated to the District in the prior audit.

Effect of Condition

Inadequate internal controls over ASB fundraising increase risk that a loss or misappropriation of public funds could occur and not be detected in a timely manner, if at all.

Recommendation

Inadequate internal controls over ASB fundraising increase risk that a loss or misappropriation of public funds could occur and not be detected in a timely manner, if at all.

District's Response

Your audit of the ASB for the period of September 1, 2019 - August 31, 2022 found that "the District's internal controls over Associated Student Body fundraising activities were insufficient to safeguard against potential loss and noncompliance with state laws and regulations." As you noted in your finding, we had significant staff turnover in our district office, so we were unaware of similar past findings. While we appreciate the recognition as the cause of the condition, we will work diligently to address all conditions and recommendations presented. The team members and the superintendent will meet before the school year begins and before anymore fundraisers occur to create a process that will provide proper internal controls of our fundraisers. We will rely on guidance from the following resources:

- Accounting Manual for Public School Districts in the State of Washington, Chapter 3 and Chapter 12*
- Washington Association of School Business Officers*
- Appropriate RCW's and WAC's that address ASB fundraisers.*
- NCESD171 Business Manager Academy*

We will also make sure our ASB Advisors, Business Manager, Fiscal Assistant and ASB Secretary are provided training in ASB Fundraisers: Inservice, Webinars, Manuals, WASBO Conference, etc. With the help of these resources and education, we will create a fundraising packet that will be handed to all sport/club advisors that will clearly explain the process for conducting a fundraiser. Furthermore, we

will spend ample time providing training to all coaches and advisors so that they clearly understand the fundraising process and complete the packet from start to finish. The athletic director, business manager and ASB secretary will hold coaches and advisors accountable for following through the process. This process will definitely address:

- *tracking inventory*
- *daily reconciliations of fundraisers*
- *depositing funds within one week*
- *final fundraiser reconciliation*
- *having multiple individuals overseeing fundraisers: Coach/Advisor, ASB Secretary, ASB Advisor, Athletic Director, Business Office*

We will hold ourselves accountable to make sure the above actions happen in a timely manner. It is our goal that, with this emphasis on improving our ASB fundraising process, we will correct all conditions listed above.

Again, thank you for your time and effort auditing our district. Your findings and our response will help make our district more efficient and instill trust in our handling of public funds.

Auditor's Remarks

We appreciate the District's commitment to resolving the issues noted, and we will follow up during the next audit.

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 12, Associated Student Bodies (ASB) Fund Accounting, 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 fundraising.

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 School Districts in the State of Washington*.

WAC 392-123-010, The accounting manual, sets forth the requirements for school districts' use of the accounting manual.

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

Entiat School District No. 127 serves over 345 students in Chelan County. The District provides kindergarten through 12th grade education in one elementary school and one high school.

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 approximately 50 full-time employees. During fiscal years 2020, 2021 and 2022, the District had an operating budget of about \$5.7 million, \$5.8 million and \$6.3 million, respectively.

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 Entiat School District No. 127 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.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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