



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Naches Valley School District No. 003

For the period September 1, 2021 through August 31, 2023

Published July 5, 2024

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

July 5, 2024

Superintendent and Board of Directors
Naches Valley School District No. 003
Naches, 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 those selected areas, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

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 Naches Valley School District No. 003 from September 1, 2021 through August 31, 2023.

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, 2023 and 2022, 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
- Self-insurance for unemployment compensation
- Associated Student Body activities at Naches Valley High School – fundraisers and student store
- Accounts payable – general disbursements, credit cards and electronic funds transfers
- Payroll – gross wages, leave cash outs, and bonus and incentive payments
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Naches Valley School District No. 003 September 1, 2021 through August 31, 2023

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

Audit Period:	Report Ref. No.:	Finding Ref. No.:
September 1, 2019 through August 31, 2021	1031031	2021-001
Finding Caption: The District's internal controls over the high school's Associated Student Body (ASB) activities were insufficient for safeguarding public resources and ensuring compliance with laws and regulations.		
Background: Our audit found the District lacked adequate internal controls for monitoring booster club activity and ensuring it properly receipted District funds. During fiscal years 2020, 2021 and 2022, the high school cheer club performed and collected revenue for seven fundraising events through the parent booster club instead of the ASB account. These events were advertised as "Naches Cheer" events instead of "booster" events, and students led at least five of the fundraisers. District policy requires booster events to be clearly advertised as booster club fundraisers, which must be organized, planned, and primarily performed by the organization rather than coaches and students. Without having these events clearly identified as "booster" activities, they appear to be District ASB activities. Because students led these fundraisers and the cheer coach and "Naches Cheer" club advertised them on social media, in part, as high school fundraisers, the fundraising efforts have the appearance of being District-sanctioned ASB events. These fundraisers should have gone through the ASB approval process and followed all ASB fundraiser requirements, including depositing revenue through the District ASB account. In addition, the cheer coach, with the participation of cheerleaders, organized one of the booster club's cheer fundraiser events held in January 2020 on District property. The ASB cheer club ran the same type of cheer camp activity in October 2019 with the same location and organization. Both fundraising events appeared to be ASB fundraising activities, yet only the October 2019 event operated as an ASB activity and deposited funds with the District. We consider the January 2020 event a potential loss of public funds because they were not deposited into the District's account. Also, as part of each fundraiser, the club sold t-shirts. However, the ASB fundraising activity for the cheer camp did not retain support explaining what happened to 18 unsold shirts, costing about \$180.		

Status of Corrective Action: (check one)☒ Fully
Corrected☐ Partially
Corrected☐ Not Corrected☐ Finding is considered no
longer valid**Corrective Action Taken:**

Naches Valley School District has taken measures to improve the process of determining whether fundraisers are Booster fundraisers or Associated Student Body (ASB) fundraisers. We have improved our flyer approval processes and implemented guidelines that clearly indicated to organizations whether a fundraiser is Booster or ASB.

We sent key staff, including building and district administrators, secretaries, and ASB/activity advisors, to various Washington Association of School Business Officials (WASBO) ASB trainings.

The District holds annual, seasonal, and/or individual meetings to ensure that coaches and Booster leaders understand the procedures and requirements of fundraising and support organizations. Board Policy 4120 was updated and approved on 10/24/22. Procedure 4120P was updated and presented to the School Board at their 10/24/22 meeting, as well. We have updated the School Support Organization portion of our website to provide further guidance to Booster organizations. The District also implemented a Booster approval process to further ensure all Booster organizations comply with District policies.

INFORMATION ABOUT THE DISTRICT

Naches Valley School District No. 003 provides educational services to approximately 1,300 students in Yakima and Kittitas Counties. The District operates one elementary school, one middle school and one high school to provide basic and special education services, transportation, meals and extracurricular activities.

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 day-to-day operations as well as its approximately 97 certified and 80 classified employees. The District has annual revenues of about \$25 million.

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 Naches Valley School District No. 003 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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