



Office of the Washington State Auditor  
Pat McCarthy

## Accountability Audit Report

# Saint John School District No. 322

For the period September 1, 2022 through August 31, 2023

*Published April 3, 2025*

Report No. 1036923



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

April 3, 2025

Board of Directors  
Saint John School District No. 322  
St John, 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 findings.

We also noted certain matters related to financial condition that we communicated to District management and the Board of Directors in a letter dated March 24, 2025. We appreciate the District's commitment to resolving those matters.

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 Saint John School District No. 322 from September 1, 2022 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 year ended August 31, 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Associated Student Body activities – fundraisers, gate receipts, general disbursements, credit card usage, transfers, and cash receipting
- Treasury activities – investment activity, authorized investments, bank reconciliations and general ledger postings
- Accounts payable – general disbursements, credit cards, travel expenditures, electronic funds transfers, employee reimbursements and gift card purchases
- Financial condition – reviewing for indications of financial distress
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Establishment of local revenue and expenditure accounts
- Payroll – electronic funds transfers
- Compliance with supplemental contracts for enrichment activities
- Use of restricted funds – professional learning and local revenue for enrichment activities

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Saint John School District No. 322** **September 1, 2022 through August 31, 2023**

#### **2023-001    The District lacked sufficient oversight of its financial activities to ensure the safeguarding of public resources.**

##### ***Background***

The Board is responsible for fiscal oversight of the District. The Board and District management are also responsible for the integrity and retention of the original invoices, receipts and other documents necessary to demonstrate the validity of every transaction relating to the District's receipt and use of public resources. In addition, state law and the *Accounting Manual for School Districts in the State of Washington* require the Board to accept and approve all claims for vendor payments and employee payroll.

##### ***Description of Condition***

The District lacked adequate oversight and internal controls to safeguard public resources, which increases the risk of misappropriation. Furthermore, District management did not develop and implement policies and procedures to verify that transactions were supported, approved and allowable. Also, the District lacked adequate internal controls to safeguard public documents and support banking transactions, vendor payments and cash receipts.

The District must use Whitman County as its treasurer, which includes processing payroll and accounts payable transactions. The District also uses local banks for its petty cash and imprest fund accounts. The District was unable to provide evidence demonstrating that it reconciled between the general ledger, County Treasurer statements and local bank statements.

The Board of Directors and District management relied on the Business Manager to create payments, write imprest fund checks, receipt cash, make deposits, and process journal entries, all without a secondary review. Also, no one was independently verifying bank deposits to ensure that all cash collected was deposited intact and timely.

Lastly, the District did not have policies and procedures related to accounts payable transactions that outlined guidance over student travel, the use of procurement cards or recognition activities. The District did not ensure that expenditure transactions were supported or that the Board consistently approved expenditures as required by state law.

### ***Cause of Condition***

The District has had turnover in the Business Manager position since the last audit. Management relied solely on the prior Business Manager, as a trusted individual, to perform all duties, without independent oversight and did not place importance on validating the accuracy of the transactions.

### ***Effect of Condition***

The District's lack of oversight, adequate controls and appropriate policies increases the risk of misappropriation or misuse of public resources without it being detected timely, if at all. Also, without adequate documentation, the District is unable to demonstrate that payments were legal, allowable and paid to the appropriate vendors, or that the District deposited all funds it collected.

For the transactions tested, we identified the following:

- Seven imprest checks totaling \$6,720 were written to “cash” and were unsupported
- Sixteen bank transactions, totaling \$371,476, including \$365,993 in checks and \$5,503 in wire transfers, did not have support to determine the purpose or validity of the transactions
- Accounts payable transactions totaling \$33,810 were not supported to provide evidence that the charges were allowable
- Nine months of cash receipting reports could not be reconciled directly to the deposits recorded through the bank statements. The bank activity showed deposits of \$2,305 more than what was receipted.

### ***Recommendation***

We strongly recommend the Board implement appropriate oversight and ensure adequate controls over all financial activities to ensure the safeguarding of public resources. Additionally, the District should retain proper documentation to support all of its financial activities as state law requires.

Based on the results of our audit, we specifically recommend the District:

- Establish a review process over significant financial systems to ensure it reconciles activity in the general ledger and imprest accounts timely, and that they are accurate and agree to the County Treasurer and local bank activity
- Independently review bank activity and disbursements to verify that all transactions are supported and for an allowable business purpose
- Establish adequate segregation of duties in management positions

## ***District's Response***

*The St. John School District acknowledges the findings presented in the audit and agrees with the language outlined in the report. We recognize the importance of strong financial oversight and internal controls to ensure the safeguarding of public resources.*

*While we placed trust in the prior Business Manager's experience, we acknowledge the need for a more structured system of checks and balances to prevent any potential risks associated with financial mismanagement.*

*To address the concerns identified, the District has already begun taking corrective actions, including:*

- Implementing a formal review process to reconcile financial activity across all accounts, ensuring accuracy and alignment with the County Treasurer's and local bank statements.*
- Establishing an independent verification process for bank activity and disbursements to confirm transactions are properly documented and have a valid business purpose.*
- Strengthening internal policies and procedures related to accounts payable and procurement activities to align with state law and best practices.*
- Enhancing segregation of duties to ensure financial transactions undergo appropriate independent review before approval.*

*The Board and District management are committed to maintaining transparency, improving internal controls, and ensuring compliance with all applicable financial oversight requirements. We appreciate the audit team's recommendations and will continue working diligently to implement necessary improvements to safeguard public resources effectively.*

## ***Auditor's Remarks***

We appreciate the District's cooperation and assistance during the audit and acknowledge its commitment to improving this condition. We will review the corrective action taken during our next audit.



## *Applicable Laws and Regulations*

Washington State Constitution – Article II section 25 – Extra Compensation Prohibited.

RCW 28A.150.230 – District school directors’ responsibilities.

RCW 42.24.080 — Municipal corporations and political subdivisions — Claims against for contractual purposes — Auditing and payment — Forms — Authentication and certification.

RCW 42.56.100 — Protection of public records — Public access

RCW 40.14.070 — Destruction, disposition, donation of local government records — Preservation for historical interest — Local records committee, duties — Record retention schedules — Sealed records — Peace and corrections officer personnel records.

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

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Saint John School District No. 322 September 1, 2022 through August 31, 2023**

#### **2023-002 The District's internal controls over Associated Study Body 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 safeguard public resources and ensure compliance with state laws and policies. Inadequate internal controls can hinder the District's ability to prevent or detect misappropriation and noncompliance. Districts may use Associated Student Body (ASB) funds for optional and noncurricular activities that are cultural, athletic, recreational or social in nature, or otherwise support ASB activities and programs.

State regulations (WAC 392-138-125) require the District to obtain prior approval from the Student Council before spending ASB funds. Supporting documentation for each ASB disbursement must accompany the Student Council's approval, which is typically documented in Student Council meeting minutes.

The District reported ASB revenues and expenditures of \$84,327 and \$113,333, respectively, in fiscal year 2023.

##### ***Description of Condition***

###### **ASB expenditures & transfers**

The District lacked adequate internal controls over ASB funds to ensure compliance with state laws and regulations. We tested 20 ASB fund disbursements and 38 transfers between ASB clubs for which the District did not retain sufficient supporting documentation. We were unable to determine if accounts payable transactions totaling about \$27,200 or transfers between ASB club accounts totaling \$41,000 were allowable, attributed to the correct club or sport, and for a District purpose. The District was unable to provide Student Council meeting minutes for the audit period.

### Fundraisers/charitable fundraisers

The District lacked adequate internal controls over ASB fundraisers. The District held 49 fundraisers during the 2022–2023 school year. The District was unable to provide any documentation related to the 49 fundraisers, which limited the audit work performed.

For the fundraisers held during the audit period, our audit was not able to identify if the District:

- Obtained fundraiser approval from the student council or the District Board of Directors as documented in student council meeting minutes
- Consistently used the cash receipting system to account for the fundraising revenue earned
- Performed fundraising reconciliations to ensure that all money received was deposited
- Recorded the fundraising revenue in the correct club or general ledger activity account
- Received all funds it was entitled to and deposited funds within 24 hours as required by state law

Also, several fundraisers were identified as charitable, but funds were not appropriately accounted for in accordance with the *Accounting Manual for Public School Districts in the State of Washington* (SDAM). Additionally, we did not find any indication that funds collected for charitable purposes were ever distributed to charitable organizations.

State law (WAC 392-138-210) and the SDAM do not allow the District to disburse funds when they are not available in an account. Three clubs had negative account balances at the end of the 2022–23 school year, overdrawing those club accounts by a total of \$9,054.

Additionally, state law (RCW 28A.325.050) requires that all ASB club fund balances be posted to district websites to provide transparency of ASB activities. The District did not publicly post ASB fund activity on its website for the 2022–2023 school year, as required. Also, the District's ASB fund balance reports did not agree with club activity reported within the general ledger, as it did not include several of the ASB clubs.

### ***Cause of Condition***

The District has had turnover in the Business Manager position since the last audit. Management relied solely on the prior Business Manager, as a trusted individual, to perform all duties, without independent oversight and did not place importance on validating the accuracy of the transactions.

The District did not allocate the necessary resources and oversight to establish adequate internal controls over ASB activities. The District relied on the business manager to record receipts, expenses and transfers in the general ledger without an adequate secondary review.

Additionally, the District did not clearly communicate requirements and expectations over ASB fundraising activities to responsible District staff, students and parents.

### ***Effect of Condition***

The District's lack of internal controls and monitoring over transactions increases the risk that misappropriation or misuse of public funds could occur and not be detected quickly, if at all.

Due to the lack of supporting documentation, we are unable to determine if the District deposited all funds it collected, credited the correct ASB accounts for fundraising activities and whether expenditures were for allowable ASB and District purposes.

Inadequate accounting practices cannot be relied on to ensure that funds were deposited to and spent from the correct ASB club, and students may not have benefited from their fundraising efforts.

### ***Recommendation***

We recommend the District improve internal controls over ASB activities to comply with state laws and regulation and adequately safeguard public resources. As part of these internal controls, the District should establish oversight and monitoring of all ASB activities including cash receipting, fundraiser activities and ASB disbursements

Additionally, we recommend the District:

- Retain all ASB Student Council minutes and clearly document formal approval of fundraisers, purchases, transfers between clubs and prior minutes
- Prepare, keep and monitor all necessary records for ASB activities, including support for expenditures, revenues and transfers
- Provide adequate training to staff and students involved in ASB fundraisers to ensure they understand state laws, regulations and District policies over ASB funds, including the differences between public and private fundraising activities
- Obtain prior approval from Student Council before spending ASB funds and ensure money is available in ASB accounts to pay for the purchase
- Publish ASB club level fund balance reports on the District website by August 31 every year, as required by state law

### ***District's Response***

*The District's response is recorded in the response section of finding 2023-001.*

### ***Auditor's Remarks***

We appreciate the District's cooperation and assistance during the audit and acknowledge its commitment to improving this condition. We will review the corrective action taken during our next audit.

### ***Applicable Laws and Regulations***

RCW 28A.325.030, Associated student body program fund – Fund-raising activities—non-associated student body program fund moneys

RCW 28A.325.050, Associated student body program fund – Publication of information on school district website

Chapter 392-138 WAC, Finance – Associated Student Body Moneys

WAC 392-138-010, Definitions

WAC 392-138-013, Powers – Authority and policy of school boards

WAC 392-123-010, The accounting manual *Accounting Manual for Public School Districts in the State of Washington*, Chapter 3 – Accounting Guidelines

*Accounting Manual for Public School Districts in the State of Washington*, Chapter 12 – Associated Student Body (ASB) Fund Accounting

## INFORMATION ABOUT THE DISTRICT

Saint John School District No. 322 serves approximately 130 students in Whitman County. The District is part of a cooperative with Endicott School District. Middle school education is provided by Endicott School District for students of both districts, while Saint John School District provides the high school education for students of both districts. Both districts have elementary schools.

An elected, five-member Board of Directors governs the District. The Board appoints a Superintendent who is responsible for the District's day-to-day operations as well as its approximately 90 employees. The District operated on general fund budget of approximately \$5.6 million for fiscal year 2023.

### Contact information related to this report

|            |  |
|------------|--|
| Contact:   | Janelle Kelley, Business Manager                           |
| Telephone: | 509-397-8058 x 1013  |
| Website:   | <a href="http://www.sje.wednet.edu">www.sje.wednet.edu</a> |

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for Saint John School District No. 322 at <https://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.

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