

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Oakville School District No. 400**  
**Grays Harbor County**

Report Date  
**August 2, 2006**

**Report No. 71325**

Issue Date  
**September 1, 2006**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_ Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

September 1, 2006

Board of Directors  
Oakville School District No. 400  
Oakville, Washington

***Report on Accountability for Public Resources***

Please find attached our report on Oakville School District No. 400's accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

In addition to this work, we also audit the District's financial statements and compliance with federal laws and regulations. The results of that audit will be included in a separately issued audit report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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**Grays Harbor County**  
**August 2, 2006**

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# Audit Summary

## Oakville School District No. 400 Grays Harbor County August 2, 2006

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Oakville School District No. 400.

We performed audit procedures to determine whether the District complied with state laws and regulations and its own policies and procedures. We also examined District management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from September 1, 2002, through August 31, 2005.

### ***RESULTS***

In most areas that we examined, the District complied with state laws and regulations and its own policies and procedures. We identified one condition significant enough to report as a finding:

- The District did not adequately monitor financial operations to ensure compliance with state regulations.

### ***RELATED REPORTS***

Our opinion on the District's financial statements and compliance with federal program requirements is provided in a separate report, which includes the District's financial statements. That report includes a federal finding regarding a reportable condition on internal controls and a compliance violation for the Impact Aid Grant.

### ***CLOSING REMARKS***

We thank District officials and personnel for their assistance and cooperation during the audit.

# Description of the District

## Oakville School District No. 400 Grays Harbor County August 2, 2006

### **ABOUT THE DISTRICT**

Oakville School District No. 400 provides educational services to approximately 300 students in kindergarten through 12<sup>th</sup> grade. A five-member Board of Directors, elected to four-year terms, governs the District's operations. The Board appoints a Superintendent who is responsible for day-to-day operations. It has one high school, one middle school and one elementary school. The District operates on a \$3.1 million annual general fund budget and its approximately 42 employees provide students basic education and support services.

### **AUDIT HISTORY**

Management has been very responsive to prior audit recommendations. Audit concerns are often discussed, addressed and resolved before completion of our audit. The District has been free of findings for the past five audits. However, the current audit does contain a finding related to noncompliance with state requirements.

### **ELECTED OFFICIALS**

These officials served during the audit period:

Board of Directors:

Judith Palmer  
Steve Mittge  
John Ruymann  
Alfred Brown  
Derald Gall (fiscal years 2003 and 2004)  
Scott Whitwam (fiscal year 2003)  
Lee Bramer (fiscal year 2003)  
Randy Caverly (fiscal year 2003)

### **APPOINTED OFFICIALS**

Superintendent

Robert Amundson

### **ADDRESS**

District

103 School Street  
P.O. Box H  
Oakville, WA 98568

# Audit Areas Examined

## Oakville School District No. 400 Grays Harbor County August 2, 2006

In keeping with general auditing practices, we do not examine every portion of the Oakville School District No. 400's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the District were examined during this audit period:

### **ACCOUNTABILITY FOR PUBLIC RESOURCES**

We evaluated the District's accountability in the following areas:

- Student enrollment reporting
- Teacher education and experience (staff mix) reporting
- Student transportation ridership reporting
- Payroll
- Cash disbursements
- Associated Student Body revenues
- High school athletics

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Competitive bid law compliance
- Budget compliance
- Ethics/conflict of interest laws
- Open Public Meetings Act

### **FEDERAL PROGRAMS**

We evaluated internal controls and tested compliance with federal program requirements, as applicable, for the District's major federal program, which is listed in the Federal Summary section of the financial statement and single audit report.

### **FINANCIAL AREAS**

Our opinion on the District's financial statements is provided in a separate report. That report includes the District's financial statements and other required financial information. We examined the financial activity and balances of the District including:

- Cash and investments
- Revenues
- Expenditures
- Long-term debt
- Overall presentation of the financial statements

# Schedule of Audit Findings

## Oakville School District No. 400 Grays Harbor County August 2, 2006

### 1. Oakville School District No. 400 did not adequately monitor financial operations to ensure compliance with state regulations.

#### Description of Condition

During our audit of the District, we examined interfund transfers, payroll, cash disbursements and budget compliance. We found:

#### Inter-fund Transfers

On June 20, 2005, the District approved a resolution transferring \$79,000 from the Capital Projects Fund to the General Fund. We determined the District did not treat the transfer as a loan. According to state law (RCW 43.09.210) no department shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

#### Payroll

Analytical procedures were performed on payroll expenditures for reasonableness. Based on this review, we selected several employees to ensure they were paid in accordance with approved amounts. We found:

- No contracts with the Business Manager, whose salary was \$31,479 in fiscal year 2004 and \$36,093 in fiscal year 2005, were on file.
- The District did not have documentation for an employee's leave buyout in fiscal year 2003, totaling \$6,078.78.
- The District did not update the 2004 hourly rate in the payroll system for extra pay categories, which resulted in employees being underpaid by \$1,672.

#### Cash Disbursements

We reviewed District expenditures for allowable uses of public funds and adequate supporting documentation. We found:

- The District did not have documentation supporting expenditures of \$9,800.
- The District did not obtain detailed meal receipts for \$411 in expenditures. In addition, meal receipts totaling \$1,586 did not identify the business purpose or who was attending the meal.

#### Budget Compliance

Expenditures were reviewed for compliance with Board-authorized appropriations. We noted:

- The District's Capital Projects Fund expenditures exceeded budgeted appropriations by \$67,257 in 2003 and \$263 in 2005.

### **Cause of Condition**

The District lacked effective management oversight to ensure financial operations are in compliance with state laws.

### **Effect of Condition**

The lack of effective management oversight increases the risk that errors or irregularities could occur and not be detected in a timely manner.

### **Recommendation**

We recommend the District:

- By ordinance or resolution, approve interfund loans to avoid one fund benefiting another. Additionally, the Board should establish a repayment schedule of the loan principal and interest.
- Maintain adequate documentation to support payroll expenditures and establish internal control procedures to ensure that employees are paid at the correct rate.
- Obtain original receipts or invoices for purchases to ensure expenditures are allowable.
- Establish and follow appropriate monitoring procedures to ensure actual expenditures do not exceed Board-approved appropriations.

### **District's Response**

#### Inter-fund Transfer

*Although the resolution was not clear on repaying \$79,000 to the Capital Projects Fund, the minutes recorded indicate the desire of the Board Members to repay those funds during the 2006-07 school year. This was also mentioned with the running of the recently passed levy.*

#### Payroll

*No contract for the Business Manager salary: historically, the school district has not maintained contracts for this position, not required per state WAC that the district can find. Beginning with the 2006-07 school year, there are contracts for both the Human Resources Manager and the Finance Manager positions in the district office.*

*Leave buy-out documentation: original documentation for the employees leave buy-out was not found; however, documentation was re-calculated and verified by auditor to show original calculations were accurate and substantiated. Payroll cash-out documentation, showing original calculations, will be kept in the future.*

*Hourly wage update: the previous Business Manager did not update certificated staff's extra-curricular hourly wage with the beginning of the new fiscal year. The current Human Resources Manager had made hourly wage corrections and paid employees affected any differences owed. September payroll steps will not be skipped in the future that lead to this underpayment.*



### Cash Disbursements

*No documentation supporting expenditures: procedures for tracking expenditures and verifying receipts have been updated to ensure completeness in the future and will be required for all appropriate events.*

*No detailed meal receipts: procedures for obtaining meal receipts, including receipts for multiple employee meals, has been changed to ensure accuracy in the future and will be required for all appropriate events.*

### Budget Compliance

*The district recognizes the fact that the Capital Projects Fund was over budget appropriations and has put internal auditing steps in place for reviewing expenditures versus appropriations in all funds.*

## **Auditor's Remarks**

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

## **Applicable Laws and Regulations**

RCW 43.09.210 states in part:

No department . . . shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

RCW 28A.505.150 states in part:

Total budgeted expenditures for each fund as adopted in the budget of a school district shall constitute the appropriations of the district for the ensuing fiscal year and the board of directors shall be limited in the incurring of expenditures to the grand total of such appropriations. The board of directors shall incur no expenditures for any purpose in excess of the appropriation for each fund . . . .

RCW 43.09.200 Local government accounting-Uniform system of accounting, states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived there-from; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.