

Washington State Auditor's Office
Accountability Audit Report

Anacortes School District No. 103
Skagit County

Report Date
January 10, 2007

Report No. 72254

Issue Date
March 16, 2007



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

March 16, 2007

Board of Directors
Anacortes School District No. 103
Anacortes, Washington

Report on Accountability for Public Resources

Please find attached our report on Anacortes School District No. 103'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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Skagit County
January 10, 2007**

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Audit Summary

Anacortes School District No. 103 Skagit County January 10, 2007

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Anacortes School District No. 103.

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, 2005, through August 31, 2006.

RESULTS

The District complied with state laws and regulations and its own policies and procedures, and internal controls were adequate to safeguard public assets in most areas we examined. However, we identified one condition significant enough to report as a finding:

- Anacortes School District No. 103 did not retain original supporting documentation for student enrollment reported to the Office of Superintendent of Public Instruction.

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.

CLOSING REMARKS

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

Description of the District

Anacortes School District No. 103 Skagit County January 10, 2007

ABOUT THE DISTRICT

Anacortes School District No.103 is in the northwest corner of Skagit County on Fidalgo Island. The District is governed by a five-member Board of Directors responsible for creating District policy, establishing curriculum, adopting a budget and employing staff. The Board appoints a Superintendent who oversees day-to-day operations.

The District serves approximately 2,939 full- and part-time students with a staff of 203 certificated and 160 classified employees. The District has one high school, one middle school and four elementary schools. The District's general fund expenditures exceeded \$24.2 million for the year ended August 31, 2006.

AUDIT HISTORY

We audit the District annually. We reported findings in 2001, 2003 and 2004. District officials have taken steps to correct all issues noted in prior findings.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Directors:

Mitch Everton
Barbara Cooper
Carol Pyke
Chris Anderson
Kris Lytton

APPOINTED OFFICIALS

Superintendent

Chris Borgen

ADDRESS

District

2200 M Avenue
Anacortes, WA 98221
(360) 293-1200
(360) 293-1222 (fax)
www.asd103.org

Audit Areas Examined

Anacortes School District No. 103 Skagit County January 10, 2007

In keeping with general auditing practices, we do not examine every portion of Anacortes School District No. 103'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:

- Cash receipting
- Payroll
- Purchase of goods and services
- Financial statement preparation and journal entries

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

- Insurance and bonding
- Budgeting requirements
- Ethics/conflict of interest laws
- Open Public Meetings Act
- Long-term debt covenant compliance
- Allowable expenditures
- Travel expenses
- Contracts and agreements
- Student enrollment reporting
- Student transportation ridership reporting
- Teacher education and experience (staff mix) reporting

FEDERAL PROGRAMS

We evaluated internal controls and tested compliance with federal program requirements, as applicable, for the District's major federal programs, which are 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

Anacortes School District No. 103 Skagit County January 10, 2007

1. **Anacortes School District No. 103 did not retain original supporting documentation for student enrollment reported to the Office of Superintendent of Public Instruction.**

Description of Condition

School districts in Washington report enrollment to the Office of Superintendent of Public Instruction (OSPI) monthly for funding purposes. In our review of basic education enrollment reporting at Anacortes High School, we noted the District did not have documentation to support the number of high school students reported on the count dates for September through December 2005 and February through June 2006.

Cause of Condition

Staff members involved in enrollment reporting at the high school misunderstood the necessity of retaining source documentation with the implementation of new enrollment software.

Effect of Condition

The District cannot be sure its enrollment was accurately reported to OSPI.

Recommendation

We recommend the District establish and follow procedures to ensure original supporting documentation is retained to demonstrate enrollment reporting is accurate.

District's Response

The Anacortes School District has reviewed the preliminary audit report for the audit period September 1, 2005 through August 31, 2006. The District concurs with the enrollment finding caused by high school staff not retaining source documentation for enrollment counts during the 2005-06 school year.

Subsequently, the District held a half-day training on January 29th, led by two NWRDC student coordinators for all District staff involved in BEA enrollment, from all school sites. Information presented included retention periods, students eligible to be counted, specific count dates, source documentation (both paper and electronic), calculating head count vs. FTE, and validating no student is counted for more than one FTE (exception — Running Start). Also covered were the expectations at the school and District level relating to enrollment count procedures.

The District appreciates the opportunity to respond to the preliminary audit report prior to finalization.

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

WAC 392-117-050 states:

School districts and educational service districts shall provide upon request by the superintendent of public instruction and for audit purposes, documentation to support all data reported to the superintendent of public instruction pursuant to this chapter.

WAC 392-121-119 states:

As used in this chapter, "enrollment count dates" means the fourth school day of September and the first school day of each of the eight subsequent months of the school year for all school districts including districts which commence basic education programs prior to September 1st. Exceptions are limited to the following:

- (1) In school districts where not every school or grade follows the same calendar of school days, the calendar of an individual school or an entire grade level within a school may determine the monthly enrollment count date for that school or grade level within the school.
- (2) The nine count dates for running start enrollment shall be the first school day of each month of October through June.