



Office of the Washington State Auditor

Pat McCarthy

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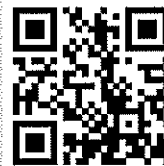
Assessment Audit Report

Satsop School District No. 104

For the period September 1, 2021 through August 31, 2022

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

Issue Date – (Inserted by OS)

Board of Directors
Satsop School District No. 104
Satsop, Washington

Report on Assessment Audit

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.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff, and value your cooperation during the assessment audit.

Sincerely,

Signature Here (Please do not remove this line)

Pat McCarthy, State Auditor

Olympia, WA

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AUDIT SUMMARY

Results in brief

Based on the procedures performed, we identified areas where the District could make improvements. These recommendations are included with our report as a finding. In other areas we reviewed, nothing came to our attention that caused us to believe the District was not in substantial compliance with applicable state laws, regulations, and its own policies or had not provided adequate controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

About the assessment audit

This report contains the results of our independent audit of Satsop School District No. 104 from September 1, 2021 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. State law (WAC 392-117-035) also requires school districts to prepare and submit certified annual reports to the Office of the Superintendent of Public Instruction (OSPI) detailing the District's revenues and other financing sources, expenditures and other financing uses, assets, liabilities, financial condition, and fund balances.

This assessment 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 at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as school districts with 250 or fewer FTE students. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the District.

This assessment audit was limited to the following:

- Reviewing meeting minutes for compliance with the Open Public Meetings Act
- Inquiring as to internal controls over assets, revenues, and disbursements
- Verifying that annual reports submitted to our Office were complete and filed timely in compliance with state law
- Reviewing the District's annual revenues and expenditures for unusual transactions or trends
- Corroborating financial information reported by the District by comparing reported revenues, expenditures, and cash and investment balances to third-party sources
- Reviewing expenditures for indications of unusual activities, excessive Board of Directors compensation, conflicts of interest, or procurement requirements
- Evaluating the District's financial information for indications of financial distress

- Using validation queries to verify the completeness and accuracy of WSIPC data.
- Reviewing payroll transactions for unusual or excessive payments

**Satsop School District No. 104
September 1, 2021 through August 31, 2022**

20XX-001 The District did not obtain approval from the Office of Superintendent of Public Instruction before placing an enrichment levy on the February 8, 2022, ballot, as required by state law.

Background

In March 2018, the Legislature passed Engrossed Second Substitute Senate Bill (E2SSB) 6362. Beginning with the 2019-20 school year, the bill modified basic education funding requirements to ensure that school district local revenues are used solely for the purposes of enriching the state's statutory program of basic education. One requirement is that all school districts that submit an enrichment levy to voters must first demonstrate how they will spend the levy revenues, then obtain approval from the Office of Superintendent of Public Instruction (OSPI). School districts must complete a levy expenditure plan, and OSPI must approve it before the enrichment levy can be placed on the ballot. This requirement was effective for levies placed on ballots after January 1, 2020.

Description of Condition

The District placed an enrichment levy on the February 8, 2022, ballot in Grays Harbor County without first obtaining OSPI's approval. The levy was requested in the amount of \$80,000 to pay expenses of educational programs and operations. The District obtained OSPI's retroactive approval on November 15, 2022.

Cause of Condition

District officials said that due to an administrative error, the OSPI approval form was completed in November 2021, but it was never sent to the agency.

Effect of Condition

The enrichment levy was included on the ballot without being properly approved by OSPI. Because the District created a levy expenditure plan and obtained retroactive approval, the public can be assured that levy revenue is being spent for allowable enrichment activities as defined in RCW 28A.150.276.

Recommendation

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We recommend the District ensure it receives OSPI's approval for a levy expenditure plan before submitting an enrichment levy to voters, as required by state law (RCW 84.52.053(4)).

We also recommend the District's Board of Directors hold a public hearing on this audit finding within 30 days of the issuance of our Office's report, as required by state law (RCW 28A.320.245).

District's Response

We concur with the Auditor's findings contained in this report.

Auditor's Remarks

We appreciate the steps the School District has taken to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

RCW 84.52.053 (4)(b), Levies by school districts authorized—When—Procedure.

RCW 28A.505.240, Enrichment levy spending plans—Preballot approval—Revised spending plan for voter-approved levies.

RCW 28A.150.276, Local Revenues—Enrichment of program of basic education—"Local revenues" defined.

RCW 28A.320.245, Responses to audit findings on use of local revenues—Policies—Hearings—Disciplinary actions.

INFORMATION ABOUT THE DISTRICT

Satsop School District No. 104 has one elementary school, which contains three classrooms, library, multi-purpose room, office and a gym. Parts of it were built around 1902. The office was added in the summer of 1997. The District provides educational services to approximately 54 students in kindergarten through sixth grade. An elected, five-member Board of Directors governs the District. Board Members are elected to staggered, four-year terms. The Board appoints a Superintendent to oversee the District's day-to-day operations as well as its employees. The District expended about \$957,400 in 2021-2022.

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 Satsop School District No. 104 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.

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