

Washington State Auditor's Office
Accountability Audit Report

Orcas Island School District No. 137
San Juan County

Report Date
July 30, 2007

Report No. 73421

Issue Date
October 8, 2007



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

October 8, 2007

Board of Directors
Orcas Island School District No. 137
Eastsound, Washington

Report on Accountability

Please find attached our report on Orcas Island School District No. 137's accountability 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. The results of that audit will be included in a separately issued audit report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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San Juan County
July 30, 2007

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Audit Summary

Orcas Island School District No. 137 San Juan County July 30, 2007

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Orcas Island School District No. 137.

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, 2003, through August 31, 2006.

RESULTS

The results of our audit include significant concerns with the District's internal controls over financial reporting and its financial health. We identified three issues significant enough to report as findings. The findings are presented as part of the financial statement report, discussed below in the Related Reports section.

RELATED REPORTS

We were unable to form an opinion on the District's financial statements. Related information is provided in a separate report, which does not include the District's financial statements. The report includes a finding related to internal controls over financial reporting and two compliance issues significant enough to include as findings:

- The District does not have adequate internal controls in place to ensure documentation existed to support staff placement of the Legislative Evaluation and Accountability Program schedule.
- The District lacked adequate controls over enrollment reporting.

CLOSING REMARKS

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

Description of the District

Orcas Island School District No. 137 San Juan County July 30, 2007

ABOUT THE DISTRICT

Orcas Island School District No. 137 served an average of 497 students in San Juan County during the 2004, 2005 and 2006 school years. The District is governed by an elected, five-member Board of Directors. The Board appoints the Superintendent.

The District operated on an annual General Fund budget of approximately \$4.44 million, \$4.57 million and \$4.64 million in fiscal years 2004, 2005 and 2006, respectively. The District had an average of 51 full- and part-time certificated employees and 45 full- and part-time classified employees in fiscal years 2004, 2005 and 2006.

AUDIT HISTORY

Typically we audit the District every three years. However, in years when the District expended more than \$500,000 in federal awards, it is required to have an annual audit.

The past three audit periods have reported concerns related to the Associated Student Body (ASB) activities. During the audit of fiscal years 2001-03, we noted inadequate internal controls over ASB revenues, specifically participation fees and yearbooks. Also in this audit period, we reported two findings related to federal programs. The status of those findings will be reviewed during the next federal audit.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Directors:

Fred Enge (through November 2003)
Janet Brownell (through November 2005)
Bill Wulff (through May 2005)
Leota Shaner (through November 2005)
Bruce Orchid (through November 2007)
Susan McCaull (through November 2007)
Lisa Bronn (through November 2009)
Scott Lancaster (through November 2009)
Tony Ghazel (through November 2009)

APPOINTED OFFICIALS

Superintendent

Glenn Harris

ADDRESS

District

552 School Road
Eastsound, WA 98245
(360) 376-2284
<http://www.orcasislandschools.org/>

Audit Areas Examined

Orcas Island School District No. 137 San Juan County July, 30, 2007

In keeping with general auditing practices, we do not examine every portion of Orcas Island School District No. 137'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

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

- Accounting/financial reporting
- Apportionment – teacher education and experience (staff mix) reporting
- Debt/covenants
- Donations/fundraising
- Investments
- Open public meetings/records laws
- Budget compliance
- Disbursements/expenditures
- Apportionment – enrollment reporting
- Apportionment – transportation reporting
- Conflict of interest

FINANCIAL AREAS

Our opinion on the District's financial statements is provided in a separate report. That report does not include 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/expenses
- Financial condition
- Long-term debt
- Overall presentation of the financial statements
- Financial statement preparation



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

**State Auditor
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Chief Policy Advisor
Director of Administration
Director of Audit
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Director of Special Investigations
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**Brian Sonntag, CGFM
Ted Rutt
Jerry Pugnetti
Doug Cochran
Chuck Pfeil, CPA
Linda Long, CPA, CGFM
Jim Brittain, CPA
Jan Jutte
Mike Murphy
Mindy Chambers
Mary Leider
(360) 902-0370
(866) 902-3900**

Web Site

www.sao.wa.gov