

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

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**Edmonds School District No. 15**  
**Snohomish County**

Report Date  
**March 8, 2011**

**Report No. 1005717**

Issue Date  
**June 6, 2011**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

June 6, 2011

Board of Directors  
Edmonds School District No. 15  
Lynnwood, Washington

***Report on Accountability***

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Edmonds School District No. 15's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Snohomish County  
March 8, 2011**

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# Audit Summary

## Edmonds School District No. 15 Snohomish County March 8, 2011

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

This report contains the results of our independent accountability audit of Edmonds School District No. 15 from September 1, 2009 through August 31, 2010.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Procurement cards
- Disbursements
- Imprest accounts
- Capital and small and attractive assets
- Enrollment
- Safety Net funding
- Payroll
- Financial condition
- Grub cards at Mountlake Terrace High School
- Bid compliance - sole source purchases

### ***RESULTS***

In most areas, the District complied with state laws and regulations and its own policies and procedures.

However, we identified a condition significant enough to report as a finding:

- The District did not comply with its procurement card purchasing policy and state credit card requirements, putting public funds at risk for loss.

## **Related Reports**

**Edmonds School District No. 15  
Snohomish County  
March 8, 2011**

### ***FINANCIAL***

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the District's financial statements.

### ***FEDERAL GRANT PROGRAMS***

We evaluated internal controls and tested compliance with the 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.

# Description of the District

## Edmonds School District No. 15 Snohomish County March 8, 2011

### ***ABOUT THE DISTRICT***

Edmonds School District No. 15 provides public school services to approximately 19,273 students in preschool through 12th grade. The District serves the cities of Lynnwood, Woodway, Brier, Edmonds and Mountlake Terrace and the surrounding unincorporated area of Snohomish County. The District has 22 elementary schools, two of which include seventh and eighth grades, one early childhood center, four middle schools, four high schools, one alternative K-12 school, one alternative high school and one K-12 center for students with disabilities.

An elected, five-member Board of Directors governs the District. Board Members serve staggered, four-year terms. The Board appoints a Superintendent to oversee the District's daily operations as well as its approximately 1,192 certificated and 732 classified employees. For the 2009-2010 fiscal year, the District operated on an annual general fund budget of \$182,156,577.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Directors:

Patrick Shields  
Susan Paine  
Ann McMurray  
Gary Noble  
Susan Phillips

### ***APPOINTED OFFICIALS***

Superintendent

Nick J. Brossoit, Ed.D.

### ***DISTRICT CONTACT INFORMATION***

Address: Edmonds School District No. 15  
20420 68th Avenue W.  
Lynnwood, WA 98036-7400

Phone: (425) 431-7000

Website: [www.edmonds.wednet.edu](http://www.edmonds.wednet.edu)

## **AUDIT HISTORY**

We audit the District annually. The past five audits have reported three findings. During that period, the number of findings has ranged from one in 2006 audit and two in 2007 audit. No findings were reported in fiscal years 2005, 2008 and 2009.

# Schedule of Audit Findings and Responses

## Edmonds School District No. 15 Snohomish County March 8, 2011

### 1. The District put public funds at risk by not enforcing compliance with its procurement card policy.

#### Description of Condition

The District spent \$3,494,100 using procurement cards in fiscal year 2010. The District revised its policies for use of procurement cards in early 2010, based on a recommendation from our previous two audits. According to the new District policy, any cardholder who misuses a procurement card will receive a letter informing them of the issue after the first incident; the card will be suspended for 30 days if it is misused a second time; and the card will be permanently canceled if there is another misuse. The District provided the new policy to employees by e-mail. Additionally, employees sign a cardholder agreement accepting responsibility for using the procurement card properly and agreed to adhere to the policy.

We noted the District did not enforce its procurement card policy by sending out letters after the first incident, suspending cards after the second and canceling cards after the third misuse.

Although no misappropriation of public funds was identified, of the 51 transactions tested, we noted the following did not comply with some aspect of District policy and no action was taken to notify the cardholder of misuse, in accordance with District policy:

- Purchases totaling \$8,990 appear to have been split so the individual purchases would fall below the District's single purchase threshold of \$2,500.
- A meal was purchased while an employee was in travel status using a procurement card that was only to be used to purchase ORCA (One Regional Card for All) bus passes. The Purchasing Department provided training to cardholders regarding proper use of the card. According to management, this particular procurement card was not to leave the District office.
- Procurement cards were used in four instances when original receipts and a signed reconciliation report were not provided to the purchasing department by the 15<sup>th</sup> of the month or five days after returning from travel status when using the travel procurement cards as required by District policy.
- Two purchases totaling \$100.49 lacked itemized receipts for meals purchased while the cardholder was in travel status which does not comply with state law (RCW 42.24.115) or District policy.

## **Cause of Condition**

Although the District implemented a new policy, management did not verify that all employees understood and complied with it.

## **Effect of Condition**

The District's lack of enforcement of its procurement card policy increases the risk of misuse and/or misappropriation of public funds.

## **Recommendations**

We recommend the District enforce the terms of cardholder agreements, issue warning letters and or suspend cards for misuse in accordance with the agreement. We also recommend the District more clearly define misuse to ensure that the intention of the Board is known and followed.

## **District's Response**

*We appreciate the SAO's careful review of the individual concerns raised during the audit and acknowledgement that there was no evidence of fraudulent or illegal purchases. The issues that have been identified are procedural in nature, and the District agrees to address those issues through staff training and consistent application of the rules and regulations approved by the Board.*

## **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 42.24.115 Municipal corporations and political subdivisions — Charge cards for officers' and employees' travel expenses.

(1) Any municipal corporation or political subdivision may provide for the issuance of charge cards to officers and employees for the purpose of covering expenses incident to authorized travel.

(2) If a charge card is issued for the purpose of covering expenses relating to authorized travel, upon billing or no later than thirty days of the billing date, the officer or employee using a charge card issued under this section shall submit a fully itemized travel expense voucher. Any charges against the charge card not properly identified on the travel expense voucher or not allowed following the audit required under RCW 42.24.080 shall be paid by the official or employee by check, United States currency, or salary deduction.

(3) If, for any reason, disallowed charges are not repaid before the charge card billing is due and payable, the municipal corporation or political subdivision shall have a prior lien against and a right to withhold any and

all funds payable or to become payable to the official or employee up to an amount of the disallowed charges and interest at the same rate as charged by the company which issued the charge card. Any official or employee who has been issued a charge card by a municipal corporation or political subdivision shall not use the card if any disallowed charges are outstanding and shall surrender the card upon demand of the auditing officer. The municipal corporation or political subdivision shall have unlimited authority to revoke use of any charge card issued under this section, and, upon such revocation order being delivered to the charge card company, shall not be liable for any costs.

Per District Policy (page 13):

*“Items costing more than \$2,500 a single purchase limit (Please verify the single Transaction limit of your card. Some cards have single transaction limits of \$500 or \$1,000). Do not split transactions to stay within the single purchase limit...”*

*“Personal use of any kind”*

*“I understand that the P-Card is not to be used to purchase ineligible items. I will receive information in writing if I misuse the card one time; it will be suspended for thirty days (30) for a second violation, and permanently cancelled for any subsequent violation”.*

Per the Edmonds School District 15 Procurement Card Usage Agreement (which is required to be signed by each cardholder when they are issued the card and annually after that):

*“I understand that I will be responsible for the submission of all original receipts and procurement card charge slips to Purchasing. All original receipts and procurement card slips, along with the reconciled transaction statement must be submitted to Purchasing by the 15th of the month.”*

*“Prior to submission of the reimbursement statement to Purchasing on or before the 15th of each month, I will sign it indicating approval of all charges. I understand that I will obtain my supervisor’s approval and signature of all my charges on my reimbursement statement...”*



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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 employees are located around the state to deliver our services effectively and efficiently.

Our 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. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. 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 quality assurance program.

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