ORONDO SCHOOL DISTRICT NO. 13
Douglas County, Washington
September 1, 1992 Through August 31, 1994

Schedule Of Findings

1. District Should Improve Controls Over The Imprest Checking Account

Our review of the district's imprest checking account revealed the following weaknesses and noncompliance with state regulations:

a. Monthly reconciliations to the authorized amount were not done for the last two years.

b. Monthly reconciliations to the bank statements were not done for the last two years.

c. At least 29 checks were drawn on this checking account for employee lunch meals at the Orondo Cafe in 1994 without any documentation to support the purpose of such disbursements.

d. No invoices were attached to 16 vouchers that replenished this account for the two years under audit.

e. There was no indication of review by the superintendent or business manager for three of the vouchers mentioned above.

The State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual contains the following requirements:

> 1. If petty cash [includes imprest checking accounts] is disbursed, it must be replenished at least monthly by warrant or check payable to the custodian. The replenishment should be subject to the same review and approval as processed invoices. The replenishment must be by voucher with the appropriate receipts attached.
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> 2. At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized amount.

RCW 43.09.200 states, in part:

> 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 . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

Failure to maintain adequate control over the imprest bank account increases the possibility of abuse of district funds. Some of these weakness were communicated to the district in the prior audit exit conference but were not addressed by the district.

These problems appear to be due to a lack of knowledge of prescribed procedures governing the use and maintenance of imprest accounts, and a lack of significant emphasis by management on the importance of adequate internal controls.

We recommend that the district operate its imprest checking account in accordance with the requirements of the BARS manual and state law. We further recommend that the district implement an adequate system of internal controls, including a monthly bank reconciliation and review of expenditure documentation.

2. District Should Keep Supporting Documentation On File And Record All Board Actions In The Board Minutes

During the course of our audit, it came to our attention that the district had entered into two contractual agreements with prior superintendents for which board approval was not properly documented. The agreements, involving payments to the former superintendents, were signed by the board chairman, but the district's official minutes gave no indication of the board's actions. In addition, we noted that one of the agreements was not kept in the district's files.

RCW 43.09.200 requires the district's system of accounting and reporting to include:

> . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

Further, RCW 42.32.030 states:

> The minutes of all regular and special meetings except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection.

The district's failure to document these transactions in its official minutes and to keep a copy of the agreements in its files prevents the public from being informed of the board's decisions and the content of the agreements. In addition, lack of proper documentation makes it difficult for the board to show that the provisions of the open public meetings act were complied with. Any action taken at a meeting that does not comply with these requirements could be considered null and void.

We recommend that the board comply with the provisions of RCW 42.09.200, and RCW 42.32.030 by retaining adequate supporting documentation in the district's files, and recording in its official minutes all actions taken by the board.