



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

October 21, 2019

Contact: Annette Campbell
515/281-5834

Auditor of State Rob Sand today released a reaudit report on the Wapsie Valley Community School District (District) for the period July 1, 2014 through June 30, 2018. The reaudit was performed at the request of a District Board member pursuant to Section 11.6(4)(a)(3) of the *Code of Iowa*. The request submitted to the Office of Auditor of State asked for a reaudit of the year ended June 30, 2016. However, based on the nature of the concerns presented, the reaudit also covered items applicable to the period July 1, 2014 through October 18, 2018.

The reaudit was requested due to several concerns, including a deficit balance in the Nutrition Fund, lack of proper approval for disbursements, improper wages paid to employees, donations not used for intended purposes, deposits not made in a timely manner, and certain collections not properly deposited.

Sand reported approximately \$13,700 of undeposited collections for concession sales was identified for the fiscal year ended June 30, 2017. The estimated amount of undeposited collections was calculated by applying the District's average mark-up to inventory purchases and comparing the expected amount of sales to the amount of collections deposited. It was not possible to determine the reason(s) for the undeposited collections because sufficient records were not maintained by the District. Sand also reported it was not possible to determine if all admission ticket sales were properly collected and deposited because sufficient records were not maintained by the District.

Sand recommended District officials review various Board policies and procedures including ensuring adequate controls are in place over cash collections from event admissions and concession stand sales. The District responded favorably to the recommendations included in the reaudit report.

A copy of the reaudit report is available for review on the Auditor of State's website at <https://www.auditor.iowa.gov/reports/audit-reports/>.

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WAPSIE VALLEY COMMUNITY SCHOOL DISTRICT
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 2014 THROUGH OCTOBER 18, 2018

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Wapsie Valley Community School District

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Officials – Fiscal Year 2018

Board of Education

Jerry Van Daele	Board President	2019
Brent Sauerbrei	Board Vice-President	2021
Steve Ajello	Board Member	2019
Mike Harter	Board Member	2021
Rustie Kane	Board Member	2021

School Officials

Jim Stanton	Superintendent	Indefinite
Carol Foster	District Secretary	Resigned Apr 2018
Doris Gruetzmacher	District Treasurer	Resigned May 2018
Calli Boeckmann (approved Jun 2018)	District Secretary / Treasurer	Indefinite
Beth Hansen	Attorney	Indefinite

Officials – Fiscal Year 2016

**Board of Education
(Before September 2015 Election)**

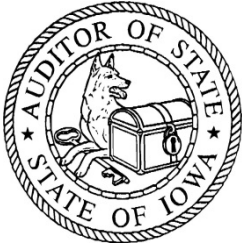
Randy Woods	Board President	2017
Jerry Van Daele	Board Vice-President	2015
Steve Ajello	Board Member	2015
Donna Costello	Board Member	2017
Brent Sauerbrei	Board Member	2017

(After September 2015 Election)

Jerry Van Daele	Board President	2019
Brent Sauerbrei	Board Vice-President	2017
Donna Costello	Board Member	2017
Randy Woods	Board Member	2017
Steve Aiello	Board Member	2019

School Officials

Chad Garber	Superintendent	Indefinite
Carol Foster	District Secretary	Indefinite
Doris Gruetzmacher	District Treasurer	Indefinite
Beth Hansen	Attorney	Indefinite



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Rob Sand
Auditor of State

Auditor of State's Report on Reaudit

To the Board of Education of the
Wapsie Valley Community School District:

We received a request to perform a reaudit of the Wapsie Valley Community School District (District) in accordance with Section 11.6(4)(a)(3) of the *Code of Iowa*. As a result, we performed a review of the audit report for the year ended June 30, 2016 and the workpapers prepared by the District's Certified Public Accounting firm to determine whether the CPA firm addressed any or all of the specific issues identified in the request for reaudit during the annual audit of the District. Based on this review and our review of the preliminary information available, we determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the District for the period July 1, 2014 through October 18, 2018.

Based on a review of relevant information and discussions with District officials and personnel, we performed the following procedures:

1. Reviewed adult lunch prices set by the District to determine if they were at or above the requirement set by the Department of Education.
2. Obtained and reviewed disbursements, including credit card transactions, to determine whether the purchases were properly supported, were for legitimate District purposes, were approved by the Board, and were properly coded to the correct account.
3. Examined receipt books and deposit support to determine if deposits were made in a timely manner. We also reviewed procedures in place regarding donations made to the District.
4. Obtained a payroll journal report and tested timesheets to determine if gross pay or hourly rate was authorized, hours worked per timesheets were approved, number of hours per payroll journal reconciled to hours worked per timesheets, and calculation of gross pay was accurate.
5. Examined concession stand and admission ticket sales for propriety and reviewed controls in place regarding handling of the related collections.
6. Obtained a listing of employees covered by AFLAC insurance and determined if deductions were properly withheld from the employees' paychecks based on the payroll journal and if subsequent withholdings were paid to AFLAC in a timely manner.

During the course of our fieldwork, a District official brought to our attention an additional concern regarding a non-District bank account. The District official was concerned the account was associated with the District or District activities and should have been maintained by the District and included in the District's financial records. As a result, we also reviewed bank statements, redeemed checks, and deposit detail for the account.

Based on the performance of these procedures, we identified inadequate Board policies and procedures and instances of non-compliance and have developed various recommendations for the

District. The inadequate Board policies and procedures and instances of non-compliance and our recommendations are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, items of non-compliance were not identified during the performance of the specific procedures listed above.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the District, additional matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance extended to us by officials and personnel of the District during the course of the reaudit.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large, looped "R" and "S".

Rob Sand
Auditor of State

September 30, 2019

Wapsie Valley Community School District

Background Information

We received a written request to conduct a reaudit of the District for fiscal year 2016. The request detailed specific concerns, including:

- Deficit balance in the Nutrition Fund in direct relation to the insufficient adult school lunch prices.
- The lack of proper approval for disbursements, including credit card transactions, and the potential incorrect coding of these expenditures.
- Deposits not made in a timely manner and donations not being used for their intended purposes.
- Employees of the District not being paid the proper wages.
- Concession stand and admission ticket sales not deposited intact and lack of controls over concession stand inventory.
- The District's insurance carrier, AFLAC, denying coverage to employees for whom premiums had been withheld from their paycheck as a result of lack of payment by the District.
- Blaming the Future Farmers of America (FFA) student organization for all of the District's problems.

A District official also brought an additional concern to our attention during our fieldwork regarding a non-District bank account. The District official was concerned the account was associated with the District or District activities and should have been maintained by the District and included in the District's financial records.

As a result of the request, we performed a review of the District's audit report and workpapers prepared by the District's independent auditors to determine whether a complete or partial reaudit of the District should be performed. As a result of this review, we determined it was necessary to perform reaudit procedures for all but the concern regarding the FFA which was not specific enough to be within the scope of the reaudit.

Except as included in this report, no additional findings were identified related to the specific concerns presented with the reaudit request. While the reaudit procedures performed addressed the concerns presented, additional procedures were not performed during our fieldwork for the reaudit. Had additional procedures been performed, additional matters might have been identified and included in this report.

Detailed Findings

- (A) Concession and Admission Sales – The District holds many events where change funds are used for selling admission tickets and/or concessions. The teacher or student in charge of each event requests a “money bag” from the District's Main Office. The front desk secretary counts the money in front of the teacher or student and writes the amount down on the “money bag” slip and initials and dates next to it. At the end of the event, the money bag containing the change fund and collections is returned to the Main Office where it is counted by the front desk secretary and the amount is written on the slip and initialed again. The money is then forwarded to the Business Manager to be deposited.

District procedures do not require the student or teacher in charge of the event to perform a count prior to returning the funds to the Main Office or maintain records of ticket or concession sales. In addition, concession stand inventory and sales records were not maintained.

For the fiscal year ended June 30, 2017, the District calculated expected collections from concession sales by applying the District's average mark-up to inventory purchases. The expected collections were compared to the actual collections recorded in the concessions account and it was determined actual collections were approximately \$23,000 less than those expected. We reviewed the District's analysis, made some corrections to the calculations, and determined the actual collections were approximately \$13,700 less than the amount expected. However, because the District did not maintain sufficient records, including concession inventory records, concession sales records, and dual cash counts performed immediately following the event, we were unable to determine the reason for the variance.

In addition, sufficient records were not maintained by the District to calculate an expected amount of collections from admission ticket sales. Such records include a record of the beginning number and ending number of prenumbered tickets sold at events and documentation of a reconciliation performed between the number of tickets sold and the collections remitted to the Main Office. As a result, we were unable to determine what amount, if any, of admission ticket sales were not properly deposited.

The difference between the expected amount of collections from concession stand and admission ticket sales and the amounts actually deposited may be attributed to a variety of factors which may have occurred, including:

- Incorrect amounts collected, intentionally or in error, for admissions and/or concession sales. Additionally, admission tickets and/or concessions may have been provided at no cost to friends and family of those collecting funds at the events.
- The incorrect amount of change provided to customers.
- Funds were diverted and the amounts collected were not properly deposited with the Main Office.
- Amounts deposited with the Main Office were not properly recorded in the accounting records and/or deposited in the District's bank account.
- A combination of some or all of these conditions.

Because the District did not maintain sufficient records for concession and admission ticket sales, we were not able to reliably determine what amount of collections, if any, were not properly collected, collected but not properly remitted to the Main Office, and/or properly collected and remitted to the Main Office, but not properly recorded in the accounting records and/or not properly deposited to the District's bank account.

Recommendation – The District's concession stands are now handled by the District's Booster Club. In the event the District resumes the concession duties, District officials should implement procedures to ensure concession sale proceeds are properly collected, recorded, and deposited and concession inventory is properly safeguarded and controlled.

The District should implement procedures to ensure collections from admissions are properly collected, recorded, and deposited. Specifically, prenumbered admission tickets should be utilized for events. Dual cash counts should be performed immediately at the end of the event and a reconciliation should be performed documenting the number of tickets sold compared to the amounts collected. The reconciliation and cash count should be signed by two individuals.

The cash count and reconciliation should be remitted with the collections to the Main Office. A prenumbered receipt specifying the amount of collections should be issued by the Main Office to the individual remitting the funds. Later, an independent person should compare the amounts recorded in the accounting records and deposited to the bank to the supporting documentation to ensure agreement.

Also, the individual receiving and returning the change bag from and to the Main Office should initial on the money bag sheet to indicate their agreement to the amount of cash taken from and returned to the main office.

Response – The District agrees with the recommendation. The District holds many events where change funds are used for selling admission tickets and/or fundraising. The teacher or student in charge of each event requests start up cash for the event from the District's Main office. The front desk secretary counts the money and records the startup cash on a reconciliation sheet. The person(s) working the event counts the start up cash and initials on the line that represents the start up cash. At the end of the event the person(s) taking the money and an Administrator count the cash and sign the reconciliation sheet. The administrator on duty deposits the money in the night deposit slot at the bank. An independent person compares the amount deposited to the reconciliation. Ticket taking at gate entry is being implemented. The ticket reconciliation will be signed by the cash counters and remitted with the cash count to the office. An independent person will compare the amount deposited to the ticket reconciliation.

Conclusion – Response accepted.

- (B) Separately Maintained Bank Accounts – As previously stated, a District official brought an additional concern to our attention during our fieldwork regarding a non-District bank account. The District official was concerned the account was associated with the District or District activities and should have been maintained by the District and included in the District's financial records.

The bank account was opened by the Wapsie Valley High School basketball coach in 1992. We obtained and reviewed copies of the bank statements for the account for the period December 20, 2014 through October 18, 2018, including images of checks issued from the account. However, documentation was not readily available for the specific events held or to support deposits to or disbursements from the bank account. According to the coach, the account was utilized to help support "out of school" expenses for the basketball program and included camps and shootouts.

The Department of Education has established general guidance for Districts related to camps and clinics. The guidance includes the proper accounting for both district sponsored and privately sponsored camps and clinics. Because documentation for deposits to and disbursements from the account was not readily available, we were unable to determine if events related to the account activity were district sponsored or privately sponsored, and, as a result, we were unable to determine if the basketball account was in compliance with the guidance provided by the Department of Education.

At the District's request, the account was closed and, on October 18, 2018, the \$4,823.36 balance from the account was deposited with the District. The District has since provided written guidelines to District coaches regarding the use of separate bank accounts for camps, clinics and fundraising.

The District indicated other separately maintained bank accounts for other sports may exist. We did not review any records related to the other bank accounts.

Recommendation – District officials should review the Department of Education's guidance for camps and clinics and adopt a formal District policy which complies with the guidance. The policy should require annual communication of the camp, clinic and fundraising policy to District staff. District officials should also periodically request local financial institutions provide a list of any accounts which include abbreviations or names which indicate an affiliation with a Wapsie Valley School and/or school addresses to ensure no unknown outside bank accounts exist.

Response – The District agrees with the recommendation. There currently are no accounts which include abbreviations or names which indicate an affiliation with Wapsie Valley School and/or school addresses to ensure no unknown outside bank accounts exist. The District has submitted board policies to IASB for review. Upon completion of their review, the District will implement a policy for camps, clinics and fundraising.

Conclusion – Response accepted.

(C) Expenditures – We tested 57 disbursements for proper approval, support and coding within the District’s accounting system and identified the following deficiencies:

- 15 of 57 transactions tested did not have proper support. However, based on the vendor and amount spent, we were able to determine the disbursements were reasonable for District operations.
- 3 of 57 transactions tested had supporting documentation but lacked an explanation of the purpose for the purchase. For example, 2 travel reimbursements did not include the reason for the trip. Without adequate explanations for the purpose of the trips, we were unable to determine if the expenditures meet the test of public purpose required for the expenditure of public funds.
- An individual received a \$20 monthly reimbursement for their cell phone bill although the individual’s contract did not include such a provision. While District officials we spoke with regarding this finding thought the reimbursement was reasonable, they were unable to explain why the individual’s contract did not include a provision for the reimbursement.
- 1 of 57 transactions tested included a late fee in the charge.
- 1 of 57 transactions tested did not appear to be coded to the correct account.
- 10 of 57 transactions tested did not have evidence of Board approval.

Recommendation – District officials should establish procedures to ensure all supporting documentation is maintained and all disbursements are included on the list of invoices for Board approval. Proper explanations should be included with all disbursement claims to document the public purpose of the purchases. District officials should also ensure all disbursements are coded to the proper accounts.

Response – The District agrees with the recommendation. Bills are currently being reviewed by a board member each month to verify documentation.

Conclusion – Response accepted.

(D) Credit Card Transactions – Because there were concerns credit card transactions were not properly supported and items may have been coded to incorrect accounts, we tested purchases listed on 2 credit card statements in addition to the disbursements described above. The purchases selected for testing were included on the credit card statements for February 2016 and September 2016. Based on our testing, we identified the following concerns:

- 4 of 26 transactions tested from the February 2016 credit card statement did not have supporting documentation. However, based on the vendor and amount spent, we were able to determine the disbursements were reasonable for District operations.
- 1 of 39 transactions tested from the September 2016 credit card statement did not have supporting documentation. However, based on the vendor and amount spent, we were able to determine the disbursement was reasonable for District operations.

Recommendation – District officials should ensure all invoices and supporting documentation are maintained for all credit card transactions.

Response – The District agrees with the recommendation. The credit card may be checked out by staff from the Business Manager. Personnel need to provide: name, date and time picked up, date and time returned, vendor, amount and receipt. All purchase orders that require a credit card payment are ordered by the high school secretary to ensure all documentation is accounted for.

Conclusion – Response accepted.

- (E) Donations – The District has not established written policies or procedures for tracking the various donations received throughout the year. Because the District did not maintain a listing of funds received from donors, we were unable to determine how the District spent the funds and if the donations were used in compliance with any restrictions placed on them.

Recommendation – District officials should establish written policies and procedures which ensure records of all donations are properly maintained. In addition, the records should include any restrictions placed on the donations and document how the District used the funds for their intended purpose.

Response – The District agrees with recommendation. The District has submitted board policies to IASB for review. Upon completion of their review, the District will implement a policy regarding donations.

Conclusion – Response accepted.

- (F) Payroll and Timesheets – Timesheets are completed for hourly employees of the District, but the timesheets do not include evidence of review and approval by supervisory personnel.

Recommendation – District officials should ensure all timesheets are reviewed for accuracy and signed by the employee’s supervisor to evidence their review and approval.

Response – The District agrees with the recommendation. The District currently has Administration/Supervisor signing off on some classes and working on getting approval on other classes.

Conclusion – Response accepted.

Wapsie Valley Community School District

Staff

This reaudit was performed by:

Donna F. Kruger, CPA, Manager
Jennifer Campbell, CPA, Manager
Emma L. McGrane, Senior Auditor
Cody L. Mathews, Assistant Auditor

A handwritten signature in black ink that reads "Annette K. Campbell". The signature is written in a cursive style with a large initial 'A' and 'C'.

Annette K. Campbell, CPA
Deputy Auditor of State