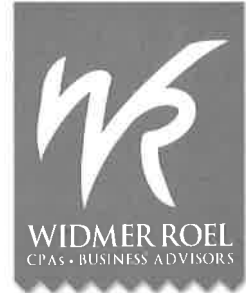


WILLISTON PUBLIC SCHOOL DISTRICT #1

**SINGLE AUDIT REPORTS AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
JUNE 30, 2016**



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the School Board and Administration
Williston Public School District #1
Williston, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1** as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise **Williston Public School District #1's** basic financial statements and have issued our report thereon dated July 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Williston Public School District #1's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Williston Public School District #1's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Williston Public School District #1's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, identified as 2016-001, 2016-002, 2016-003, 2016-004, and 2016-005.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency, identified as 2016-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Williston Public School District #1's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as item 2016-007.

Williston Public School District #1's Response to Findings

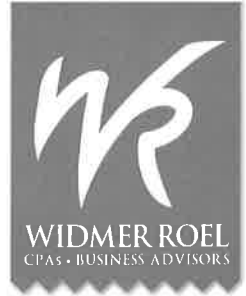
Williston Public School District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Williston Public School District #1's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Widmer Rod PC

Fargo, North Dakota
July 11, 2018



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the School Board and Administration
Williston Public School District #1
Williston, North Dakota

Report on Compliance for Each Major Federal Program

We have audited **Williston Public School District #1’s** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Williston Public School District #1’s** major federal programs for the year ended June 30, 2016. **Williston Public School District #1’s** major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of **Williston Public School District #1’s** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Williston Public School District #1’s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of **Williston Public School District #1’s** compliance.

Basis for Qualified Opinion on CFDA 84.287 21st Century Community Learning Center

As described in the accompanying schedule of findings and questioned costs, **Williston Public School District #1** did not comply with requirements regarding CFDA #84.287 21st Century Community Learning Center as described in finding number 2016-008 for Allowable Costs and Activities and 2016-009 for Program Income. Compliance with such requirements is necessary, in our opinion, for **Williston Public School District #1** to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 84.287 21st Century Community Learning Center

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, **Williston Public School District #1** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 21st Century Community Learning Center for the year ended June 30, 2016.

Unmodified Opinion on CFDA 84.010 Title I

In our opinion, **Williston Public School District #1** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-007. Our opinion on each major federal program is not modified with respect to this matter.

Williston Public School District #1's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Williston Public School District #1's** response was not subject to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of **Williston Public School District #1** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Williston Public School District #1's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Williston Public School District #1's** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-008 and 2016-009 to be a material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Williston Public School District #1's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Williston Public School District #1's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Williston Public School District #1**, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise **Williston Public School District #1's** basic financial statements. We issued our report thereon dated July 11, 2018, which contained unmodified opinions on those financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Widmer Rod PC

Fargo, North Dakota
July 11, 2018

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/ Pass- Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture passed through North Dakota Department of Public Instruction				
Child Nutrition Cluster				
School Breakfast Program	10.553	None	\$ -	\$ 90,158
National School Lunch Program	10.555	None	-	529,030
Total Child Nutrition Cluster			-	619,188
Fresh Fruits and Vegetable Program	10.582	PII00915 & PII00916	-	47,199
Subtotal Department of Agriculture			-	666,387
U.S. Department of Education Direct Assistance Indian Education - Grants to Local Educational Agencies				
	84.060		-	22,249
U.S. Department of Education passed through North Dakota Department of Public Instruction				
Title I Grants to Local Educational Agencies				
1003A Program Improvement	84.010	None	-	660,039
	84.010	PII01915 & PII01916	-	91,581
Total Title I Program			-	751,620
Education of Homeless Children and Youth	84.196	PII022-15/16	-	15,556
Twenty-First Century Community Learning Centers	84.287	PII06615/16	230,709	635,599
English Language Acquisition, Enhancement, and Academic Achievement Program for LEP Children	84.365	None	-	8,734
Title II, Part A, Teacher and Principal Training and Recruiting Fund	84.367	PII04616	-	193,687
Grants for State Assessments and Related Activities	84.369	None	-	25,000
State Board of Career and Technical Education Career and Technical Education - Basic Grants to States				
	84.048	None	-	52,448
Subtotal Department of Education			230,709	1,704,893
Total expenditures of federal awards			\$ 230,709	\$ 2,371,280

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Williston Public School District #1 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Williston Public School District #1, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Williston Public School District #1.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Williston Public School District #1 has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – NONCASH AWARDS

Nonmonetary assistance is reported in the Schedule is the fair value of the commodities received and disbursed priced by the North Dakota Department of Public Institution. For the year ended June 30, 2016, the District had food commodities totaling \$70,685 in inventory.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> X </u> yes	<u> </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported

Type of auditor’s report issued on compliance for major programs:	
Title I Grants to Local Educational Agencies (84.010)	Unmodified
Twenty-First Century Community Learning Centers (84.287)	Qualified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	<u> X </u> yes	<u> </u> no
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Identification of major programs:

CFDA Number	Name of Federal Program
84.010	Title I Grants to Local Educational Agencies
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs:	<u> \$750,000 </u>
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Auditee qualified as <u>low-risk</u> auditee?	<u> </u> yes	<u> X </u> no
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WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

2016-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

Criteria

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting, and reconciliation.

Cause

Due to the size of the District, it is not practical to have sufficient staff to ensure adequate segregation of approval, custody of assets, posting, and reconciliation.

Effect

Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees or management in the normal course of performing their assigned functions.

Recommendation

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the District implement and/or continue the following:

- All invoices should be reviewed and approved by an administrator and the School Board.
- Ideally, all checks should be signed by a School Board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments, signing checks, and preparing the back reconciliation.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official and the School Board.
- Bank reconciliations should be reviewed and approved by someone separate from bank reconciliation responsibilities.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Views of Responsible Officials

The District will continue to develop controls through cross training of duties and responsibilities.

2016-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with generally accepted accounting principles.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Criteria

As a matter of internal control, management should be responsible for and capable of preparing financial statements, notes to the financial statements, and the schedule of expenditures of federal awards in conformity with generally accepted accounting principles.

Cause

The School Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

Without the assistance of the auditors, the financial statements and the schedule of expenditures of federal awards could be misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Views of Responsible Officials

The District agrees with this finding and will proceed as directed.

2016-003 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS

Condition

There were identified misstatements in the District's financial statements causing material proposed audit adjustments.

Criteria

A good system of internal accounting control contemplates proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances on a timely basis.

Cause

The District has a lack of internal controls over the recording of certain transactions.

Effect

Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

We recommend that all general ledger accounts are reconciled in a timely manner and adjustments are made for any differences noted.

Views of Responsible Officials

The District will continue to implement controls for the reconciling of significant accounts. New systems have been put into place after the year being audited.

2016-004 (MATERIAL WEAKNESS) – RECONCILIATION OF CASH

Condition

The District's bank reconciliation did not balance to the general ledger cash amounts recorded and were not reconciled until months after year-end. There were many transactions after year-end which are included in the bank reconciliation due to the timing of the reconciliation being completed.

Criteria

A good system of internal accounting controls includes proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances on a timely basis.

Cause

Manual journal entries were posted during the week of audit fieldwork to correct year-end balances between cash, certificates of deposit, and transfer accounts. Additionally, there were outstanding items older than one year.

Effect

Inadequate internal controls over recording of cash transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements. It also does not assist in determining the amount of cash the District has to purchase services or goods.

Recommendation

We recommend that the Board members should be reviewing the bank reconciliations on a monthly basis to ensure all items are being properly recorded and match what is recorded in the financial statements. This will also allow the Board to identify the amount of cash held by the District.

Views of Responsible Officials

The District is working to complete the bank reconciliations before the following month's Board meeting and will work to implement a procedure for the School Board to review the reconciliations.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2016-005 (MATERIAL WEAKNESS) – IDENTIFYING AND RECORDING CAPITAL ASSETS

Condition

Certain capital outlay expenditures in the general ledger detail were identified that should have been capitalized on the government-wide financial statements. Capital outlay expenditures in the general ledger detail related to construction in progress were identified that should be tracked and capitalized once project construction is complete and the asset is put into service.

Criteria

Proper internal controls include the identification and recording of capital assets and construction in progress.

Cause

The District has not developed a policy to ensure that expenditures related to capital asset purchases and construction in progress is tracked throughout the year to be capitalized in the government-wide financial statements.

Effect

Inadequate internal controls over identifying and recording capital assets transactions and construction in progress affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recommend that capital outlay expenditures related to capital asset transactions and construction in progress should be identified and properly capitalized.

Views of Responsible Officials

The District will work to implement a process at year-end to identify all purchases to be capitalized along with tracking construction in progress payments on a timely basis.

2016-006 (SIGNIFICANT DEFICIENCY) – CASH DISBURSEMENTS

Condition

There is no formal documentation of approval of check disbursements, and a signature stamp is used whereby the signature stamp signers are not reviewing a copy of the checks, including supporting documentation.

Criteria

Proper internal controls include a documentation of a review of the bank statement and check copies in conjunction with a review of the bank reconciliation.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Cause

After the business manager reviews and signs the invoice listing to approve for disbursement, the check register is run by another person with a signature stamp, and the business does not verify they agree with the approved invoice listing.

Effect

Inadequate internal controls over the check disbursement process could allow for misappropriation of assets.

Recommendation

We recommend that the business manager review and sign off on the check register to agree to the approved invoice listing report. We recommend the bank reconciliation be reviewed and signed off in conjunction with the review of the bank statement and any cancelled check copies.

Views of Responsible Officials

The District is now reviewing bank reconciliations and check registers.

2016-007 (NONCOMPLIANCE) – UNTIMELY FILING OF THE DATA COLLECTION FORM

Condition

The School District failed to submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Criteria

As a matter of Federal grant compliance, the School District needs to ensure timely filing of the Data Collection Form.

Cause

Audited financial statements were not complete, therefore the Data Collection Form could not be filed timely.

Effect

The School District is not in compliance with the required filing of the Data Collection Form.

Recommendation

We recommend that the School District follow Federal grant requirements and ensure the audit can be performed early enough to allow the Data Collection Form to be filed within the required time limits.

Views of Responsible Officials

The District is working to have audits performed timely to allow for the Data Collection Form to be filed within the time limit.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION III – MAJOR FEDERAL AWARD PROGRAM FINDINGS

2016-008 (MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE) – LACK OF MONITORING OF DOCUMENTATION FOR EXPENDITURES

84.287 Twenty-First Century Community Learning Center #PII06615/16 for the year ended June 30, 2016
Allowable Costs & Activities

Condition

During testing of disbursements, it was noted that the School District received summary pages for the expenditures, but does not review monitoring as a part of its underlying supporting documentation.

Criteria

Federal awards can only be expended for allowable activities. It is the responsibility of the School District to monitor expenditures for goods and services to ensure they are allowable, including amounts expended by sub-recipients.

Cause

The School District receives summary pages from the program director, listing amounts expended by the District and subrecipients by expenditure category, however their monitoring process did not include receipts, invoices, or time sheets as support for the amounts expended as disclosed on the expenditure summaries.

Effect

Lack of proper controls over monitoring could lead to unallowable costs and activities being paid with federal funds. Noncompliance could also result in federal funding agencies requiring the return of previously awarded funds if they determine the funds were used for unallowable activities.

Recommendation

We recommend that the School District require monthly summary pages for requests for reimbursement to subrecipients be accompanied by invoices or other support as documentation for the expenditures and they be maintained by the School District for adequate support. Review of the underlying supporting documentation should be incorporated into the School District's sub-recipient monitoring procedures.

Views of Responsible Officials

The District will review the required documentation with the auditors.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2016-009 (MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE) – MONITORING OF PROGRAM INCOME

**84.287 Twenty-First Century Community Learning Center #PII06615/16 for the year ended June 30, 2016
Program Income**

Condition

During testing of program income, it was noted that the School District received deposits for fees that were billed and collected by a sub-recipient, but did not review underlying supporting documentation for that program income.

Criteria

The School District should monitor sub-recipients that collect program income as a part of proper internal controls over monitoring of federal awards.

Cause

The School District receives the funds collected from students, but does not receive documentation supporting collection of those funds. There is not a process for the School District to monitor the program income collected by sub-recipients on its behalf.

Effect

Lack of proper controls over program income could mean that program income is not being properly recorded and used within the program it was collected to support.

Recommendation

We recommend that the School District implement internal controls to ensure that program fees are supported by appropriate documentation. Review of the underlying supporting documentation should be incorporated into the School District's procedures to monitor sub-recipients.

Views of Responsible Officials

The District will review the required documentation with the auditors.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-A (MATERIAL WEAKNESS) ADDRESSING PREVIOUSLY REPORTED CONTROL DEFICIENCIES

Condition

We found that findings identified and communicated to management in the prior year have not been addressed in the current year.

Recommendation

We recommend that the Responsible Officials of the District form responses and act on these responses in regards to the control deficiencies we have communicated. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other consideration.

Current Status

Due to the timing of the audits each year, it is not possible for the District to correct the findings in the current year and we noted that there are several areas for the District to correct going forward. We believe the Responsible Officials are working to implement proper controls and procedures to correct findings recorded in the current year. The finding is considered closed.

2015-B (MATERIAL WEAKNESS) PREPARATION OF FINANCIAL STATEMENTS

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements and schedule of federal expenditures being audited. As auditors, we were requested to draft the financial statements, accompanying notes to the financial statements, and schedule of federal expenditures.

Recommendation

The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Current Status

Current staff size prevents resolution of the finding. The finding remains open and is reported as 2016-002.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-C (MATERIAL WEAKNESS) MATERIAL AUDIT ADJUSTMENTS

Condition

We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

Recommendation

We recommend that all general ledger accounts are reconciled in a timely manner and adjustment made for any differences noted.

Current Status

Similar audit adjustments were required during this audit. The finding remains open and is reported as 2016-003.

2015-D (MATERIAL WEAKNESS) SEGREGATION OF DUTIES

Condition

The District has a lack of segregation of duties in certain areas due to a limited staff.

- Lack of segregation of duties over payroll functions. One employee has access to all phases of the payroll process. That person can enter information, change wage rates, including their own, run the payroll report, and sign off on it.
- Lack of segregation of duties over cash disbursement process. One employee can enter invoices into the accounting system, run the check run, and complete the bank reconciliations.

Recommendation

While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

Current Status

Current staff size prevents resolution of the finding. The finding remains open and is reported as 2016-001.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-E (MATERIAL WEAKNESS) SUPPORTING DOCUMENTATION FOR MANUAL JOURNAL ENTRIES

Condition

We identified certain manual journal entries posted to the general ledger throughout the year where supporting documentation was not maintained and proper approval was not documented.

Recommendation

We recommend the District develop a policy to ensure that anytime a journal entry is posted to the general ledger that proper approval was obtained and documented and that supporting documentation for the amount and business purpose of the entity is retained by the District.

Current Status

No similar findings were noted in the current year audit. This finding is considered closed.

2015-F (MATERIAL WEAKNESS) RECONCILIATION OF CASH

Condition

The District's bank reconciliations did not balance to the general ledger cash amounts recorded and were not reconciled until months after year-end.

Recommendation

We recommend that someone should be reviewing the bank reconciliation on a weekly basis or monthly basis that does not complete the reconciliations, to ensure all items are being properly recorded and match what is recorded on the District's financial statements. Since the District's balance still has an immaterial difference at year-end we recommend the District continue to investigate the variance and correct any discrepancy.

Current Status

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2016-004.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-G (MATERIAL WEAKNESS) CASH DISBURSEMENTS

Condition

We identified certain checks written throughout the year that where supporting documentation was not maintained and proper approval was not documented.

Recommendation

We recommend that someone should be reviewing the check register on a weekly or monthly basis that does not write the checks, to ensure all items are being appropriately recorded.

Current Status

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2016-006.

2015-H (MATERIAL WEAKNESS) IDENTIFYING AND RECORDING CAPITAL ASSETS

Condition

We identified certain capital outlay expenditures in general ledger detail that should have been capitalized on the government-wide financial statements. We identified certain capital outlay expenditures in general ledger detail related to construction in progress that needs to be tracked and capitalized once project construction is complete and the asset is put into service.

Recommendation

We recommend that capital outlay expenditures related to capital asset transactions and construction in progress should be identified and properly capitalized.

Current Status

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2016-005.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-I (MATERIAL WEAKNESS) MONITORING CASH FROMS FUNDS SEPARATELY

Condition

We identified that agency fund cash is not being monitored and recorded separately. Agency fund cash is grouped with cash from other funds.

Recommendation

We recommend that agency cash is monitored and recorded separately from cash that is currently grouped with other funds.

Current Status

No similar findings were noted in the current year audit. This finding is considered closed.

2015-J (MATERIAL WEAKNESS AND NONCOMPLIANCE) BUDGETARY PROCESS

Condition

The District did not prepare Board approved annual budgets for the food service fund.

Recommendation

We recommend that the District begin preparing budgets on an annual basis for all other funds and obtain Board approval as soon as possible. This way upper management is on the same page as the business department and it allows the District to track and see how they are doing in comparison to what was expected.

Current Status

No similar findings were noted in the current year audit. This finding is considered closed.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-001 (SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE) -- IMPROPER PREPARATION OF SCORECARDS

84.010 Title I #1017, 1019, and 1003A for the year ended June 30, 2015
Eligibility

Condition

Scorecards did not include proper signoff by the preparer.

Recommendation

The District should ensure internal controls designed for the preparation of eligibility scorecards are properly implemented to ensure the students are eligible for the targeted assistance program.

Current Status

No similar findings were noted in the current year audit. This finding is considered closed.

2015-002 (MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE) – IMPROPER TIME & EFFORT CERTIFICATIONS

84.010 Title I #1017, 1019, and 1003A for the year ended June 30, 2015
Allowable Costs & Activities

Condition

The following conditions were noted during the testing of federal program expenditures:

- Monthly time and effort certifications were not signed by an employee
- Semi-annual time and effort certifications were not completed for an employee
- Expenditures charged to the program did not have proper approval

Recommendation

The District should ensure internal controls designed for the approval of federal expenditures and the certification of time and effort are properly implemented to ensure all costs of goods and services purchased with Federal awards are allowable.

Current Status

No similar findings were noted in the current year audit. This finding is considered closed.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-003 (MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE) – IMPROPER APPROVAL AND LACK OF DOCUMENTATION FOR EXPENDITURES

84.287 Twenty-First Century Community Learning Centers #1066 for the year ended June 30, 2015
Allowable Costs & Activities

Condition

The School District incorrectly coded salaries for a teacher that was not part of the Twenty-First Century program to the program. The School District also underpaid wages relating to overtime pay. Three individuals did not have properly approved contracts.

Recommendation

The District should ensure that all funds expended under the federal programs are for appropriate purposes and that controls are in place to ensure all expenditures of federal funds are allowable.

Current Status

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2016-008.

2015-004 (MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE) – LACK OF DOCUMENTATION FOR PROGRAM INCOME

84.287 Twenty-First Century Community Learning Centers #1066 for the year ended June 30, 2015
Program Income

Condition

The School District did not have support to tie individual billings to a deposit slip for 60 of 60 program charges. The School District also did not have proper support for the fees that were selected for testing for 30 of 60 charges.

Recommendation

The District should design and implement internal controls to ensure all program fees have proper support for fees being paid.

Current Status

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2016-009.

WILLISTON PUBLIC SCHOOL DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-005 (MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND MATERIAL NONCOMPLIANCE) – IMPROPER APPROVAL AND LACK OF DOCUMENTATION FOR EXPENDITURES

84.367 Title IIA Improving Teacher Quality #1046 for the year ended June 30, 2015
Allowable Costs & Activities

Condition

The following conditions were noted during the testing of federal program expenditures:

- The District expended funds for costs that are not considered necessary for the performance and administration of the federal program.
- Expenditures charged to the program did not have proper approval, including expenditures that had no approval, expenditures that were approved by an unauthorized individual, and expenditures that were approved by the same individual who completed the purchase.
- Expenditures charged to the program did not have documentation to support the expenditure.
- Payroll expenditures were charged to the program in excess of the amount of time spent on the program.

Recommendation

The District should ensure internal controls designed for the approval of federal expenditures are properly implemented to ensure all costs of goods and services purchased with Federal awards are allowable.

Current Status

The District has not implemented the corrective action plan that was described in the prior year audit report. The finding remains open and is reported as 2016-008.