

The Audit Connection



Greetings

WASBO

2023

Spokane
May 3- 5

Welcome to WASBO 2023! The Office of the Washington State Auditor is delighted to see everyone in person again this year, and share all the ways we can work together on #GoodGovernment.

Check out our sessions

- SAO Audit Update
- Protect Your District's Data
- Strengthen Your Team
- Help With ASBs
- Managing Change With Lean

Stop by our exhibitor booth

- Come see your district's FIT profile
- Learn what trainings we offer
- Meet SAO staff and ask questions



Have a peek inside

- 2 Lease accounting (GASB 87) and the capitalization threshold
- 3 Emergency Connectivity Fund program documentation challenges
- 4 Get familiar with FIT and school district data
- 5 How charter and tribal schools fare under public audit
- 7 Are your school district's finances ready for an earthquake?
- 10 New SAO resource to help protect district ACH payments
- 11 Learn about SAO's new fast, free and independent cyber checkups
- 12 An invitation to visit SAO's Center for Innovation's new webpages
- 13 What you need to know about ASB and cash receipting
- 14 How to evaluate your risk when making electronic disbursements

McCarthy's Corner

I'm happy to present the 2023 edition of the schools-focused Audit Connection, just in time for the annual conference of the Washington Association of School Business Officials. We hope to see many of you there.

Continued on page 2

McCarthy's Corner –
Continued from page 1

I'm glad in-person conferences have returned after managing through the darkest days of the COVID-19 pandemic. But both school business officers and our auditors are still accounting for that historic time.

Everything about public education was unsettled, and major new federal programs were launched. We've seen that some school districts struggled to meet all the requirements of pandemic-related federal grants in the past year. They are not alone.

Many local governments, from small special purpose districts to large counties, found understanding and complying with federal expectations a challenge. We appreciate your collaboration as we work together through the continuing complexity of a historic period.

Looking to the future, an exciting set of changes is coming to our award-winning Financial Intelligence Tool, also known as FIT. As you may know, FIT allows local governments to monitor key metrics through their financial reports and compare themselves to peers on those measures.

We now have three years of school data to display in FIT. Later this year, we plan to launch a mobile-friendly version of the tool. And starting in 2024, we will make FIT's school district data available to the public, just like data from other governments. We believe it is a positive way to demonstrate transparency and accountability, which in turn increases public trust.

No one knows more about schools' financial accountability than the members of WASBO. And this edition of the Audit Connection is packed with news you can use in your work.

Inside you'll find information on:

- Our new "cyber checkup" program
- Emerging audit issues
- ACH fraud, a growing concern for all governments
- Reminders about ASBs and fundraisers
- And much more

Finally, as a parent and former school board member, I know how important schools are to every community. Enjoy the WASBO conference! It's a pleasure to share ideas, hear about new issues, and visit our colleagues in public education.



Pat McCarthy

Pat.McCarthy@sao.wa.gov, (564) 999-0801

State Auditor Stewardship Awards

Don't miss lunch on Thursday, when leaders from the Office of the Washington State Auditor honor two recipients of the State Auditor Stewardship Awards.

Emerging issue: Lease accounting (GASB 87) and the capitalization threshold

As school districts follow GASB Statement No. 87, the new reporting requirement for leases, auditors have noticed a common theme: Districts need more clarity on establishing a capitalization threshold.

The goal of GASB 87 is to increase lease comparability across governments and provide financial statement users with better, more complete information by

establishing a single model for lease accounting. Districts have done well overall in implementing this standard for the year ending Aug. 31, 2022, which is currently under audit.

OSPI Bulletin No. 056-21 contains a general overview of the requirements. The bulletin states that districts may establish a lease liability threshold for leases that

Continued on page 3

Continued from page 2

are clearly insignificant individually and in the aggregate. The **Accounting Manual for Public School Districts** does not prescribe a specific dollar amount because districts of all sizes must be able to use the guidance.

Based on the number and size of leases they have, districts must determine a threshold that is both insignificant and a fixed number. If the threshold is too high, it might result in districts omitting leases beyond what is “clearly insignificant” in the aggregate. For

example, a percent of expenditures would not be a good threshold to apply to individual leases for reporting decisions because it would not be fixed and would result in a threshold that is significant. The threshold should be low, perhaps in the thousands of dollars, and be a fixed number rather than a percentage or a ratio.

If you have technical questions, remember you can ask SAO for guidance through our HelpDesk. Simply log into the **client portal** and follow the instructions.

Emerging issue: Emergency Connectivity Fund program documentation challenges

While auditing school districts’ federal programs this year, auditors have noted a challenge related to the Emergency Connectivity Fund (ECF) program. This program was part of the federal government’s COVID-19 relief package and intended to facilitate a fast conversion to remote learning.

The program often was not listed on districts’ Schedule of Expenditures of Federal Awards when it should have been. This appears to have happened because the federal funds were managed by districts’ information technology departments, bypassing their business offices where internal controls over federal programs are typically managed.

As a result, the program was not initially included in districts’ federal single audits when it likely should have been. Additionally, districts are having trouble providing the documentation the program requires.

To make sure we are interpreting the requirements correctly for audit purposes, we verified them with the Federal Communications Commission, the awarding agency.

Specific to the ECF grant, the documentation must show that award funds were used only to purchase equipment and services for students and staff with “unmet need,” meaning they did not have adequate resources to learn or work remotely.

The documentation must be:

- **Specific.** For example, it might consist of a list of each student or employee who checked out the equipment, along with information supporting the unmet need of each person.
- **Relevant and accurate at the time of reimbursement.** For example, counts or data from the initial grant application phase are likely neither relevant nor accurate at the reimbursement stage.

For more information about program requirements and a list of frequently asked questions, please refer to the FCC’s webpage dedicated to this program: <https://www.fcc.gov/emergency-connectivity-fund-faqs>.



Get familiar with FIT and school district data

We are excited to announce that our interactive Financial Intelligence Tool (FIT) now contains three years of school district financial data. FIT is a unique and powerful way to visualize and analyze the financial data of Washington's local governments.

Before school district data becomes visible to the public through FIT in January 2024, we are providing schools the opportunity to become familiar with the tool. We encourage you to look at your district's financial data, trend information, and data visualization of revenues and expenditures.

This is the first step to fully integrating school district data into FIT, which lets users search, filter, and compare financial data from across the state. In January 2024, FIT users like journalists, bond rating groups and lenders, legislators, the public and others will be able to explore and compare how school districts receive and spend public dollars.

How to access your data

To access your data in FIT, follow these simple steps:

1. Find FIT at portal.sao.wa.gov/FIT.
2. Read and accept the information window, which says that the application contains data submitted by local governments.
3. Click the login button near the top of the page. You should enter the credentials you use to submit your district's data to SAO.
4. Use the "Find Government by Name" menu on the left-hand side of FIT to find your school district and access its profile.

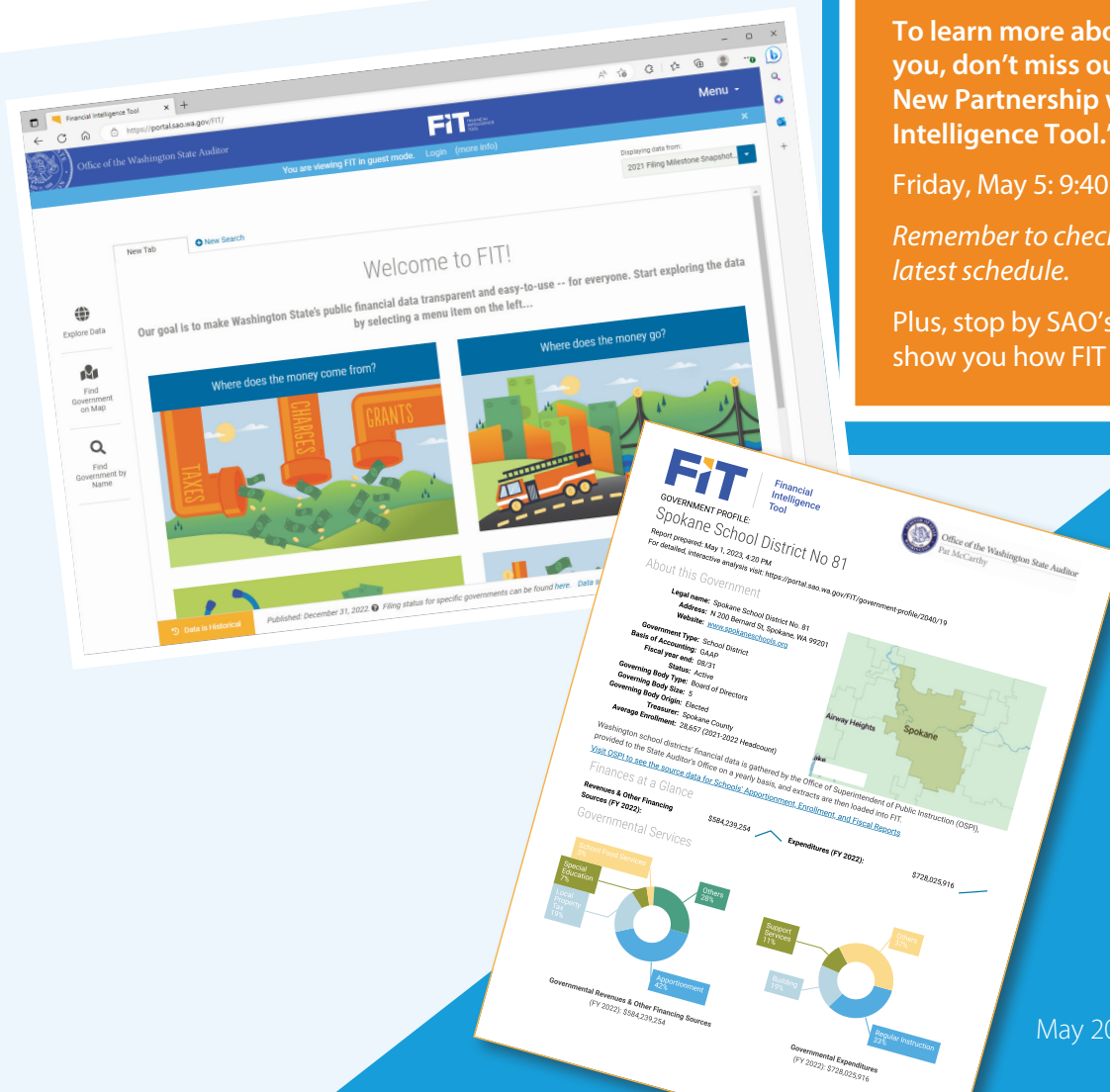
WASBO Session Alert

To learn more about how FIT can help you, don't miss our session, "Spark Up a New Partnership with SAO's Financial Intelligence Tool."

Friday, May 5: 9:40 a.m. – 10:30 a.m., Room 101

Remember to check the conference app for the latest schedule.

Plus, stop by SAO's booth any time and let us show you how FIT displays your district's data.



How charter and tribal schools fare under public audit

In the 2022-23 school year, Washington’s charter and tribal schools served more than 7,000 students.

The Office of the Washington State Auditor examines the public funding each type of school receives. Recent audits of tribal schools have found that overall, the schools keep records to support revenue and expenditures, and have worked to implement audit recommendations.

Charter public schools began serving Washington students in the 2014-15 school year. Recent audits have found improvements in their compliance with Washington’s legal requirements. Currently 16 charter schools operate in Washington, including four new schools that opened for the 2021-22 school year. Based on SAO audits, some key areas of continued focus for charter schools include:

- Documenting adherence to meeting requirements under the state’s Open Public Meetings Act, including maintaining meeting minutes

- Keeping straightforward records to show they separate public and private transactions, and maintaining adequate supporting documentation
- Identifying and tracking public assets
- Following applicable procurement requirements for purchases and public works projects
- Employing Washington-certificated instructors and ensuring their certifications are current
- Documenting and reporting student enrollment in accordance with applicable requirements

SAO continues to encourage charter schools to work closely with their authorizer to ensure they comply with their charter contracts and receive relevant guidance to comply with Washington state law.



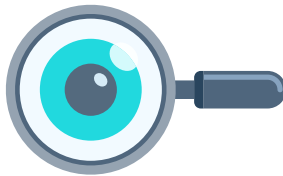
CHARTER SCHOOLS, AT A GLANCE 2022-23 school year: 16 charter schools served 5,042 students

School	Location	Grades	Students
Catalyst Public Schools	Bremerton	K - 8th	444
Rainier Valley Leadership Academy	Seattle	6th - 12th	146
PRIDE Prep	Spokane	6th - 12th	514
Rainier Prep	Seattle	5th - 8th	334
Spokane International Academy	Spokane	K - 9th	733
Summit Schools Olympus	Tacoma	9th - 12th	196
Summit Schools Sierra	Seattle	9th - 12th	375
Summit Schools Atlas	Seattle	6th - 12th	465
InnovationWillow Public Schools	Walla Walla	6th - 8th	56
Impact Public Schools-Puget Sound Elementary	Tukwila	K - 5th	595
Impact Public Schools-Salish Sea Elementary	Seattle	K - 3rd	338
Impact Public Schools-Commencement Bay Elementary	Tacoma	K - 2nd	331
Lumen High School	Spokane	9th - 12th	36
Pullman Community Montessori	Pullman	K - 5th	95
Pinnacles Prep	Wenatchee	6th - 8th	168
Whatcom Intergenerational High School	Bellingham	9th - 12th	72
Why Not You Academy	Des Moines	9th - 10th	144

TRIBAL SCHOOLS, AT A GLANCE 2022-23 school year: 7 tribal schools served 2,032 students

School	Location	Grades	Students
Chief Kitsap Academy	Suquamish Tribe, Suquamish	6th - 12th	78
Chief Leschi Schools	Puyallup Tribe, Puyallup	K - 12th	594
Lummi Nation Schools	Lummi Nation, Bellingham	K - 12th	385
Muckleshoot Tribal School	Muckleshoot Tribe, Auburn	K - 12th	556
Quileute Tribal School	Quileute Tribe, La Push	K - 12th	142
Wa He Lut Indian School	Frank Landing Indian Community, Olympia	K - 8th	136
Yakama Nation Tribal School	Confederated Tribes and bands of Yakama Nation, Toppenish	8th - 12th	141

Keep an eye out for these performance audits focused on local schools and districts

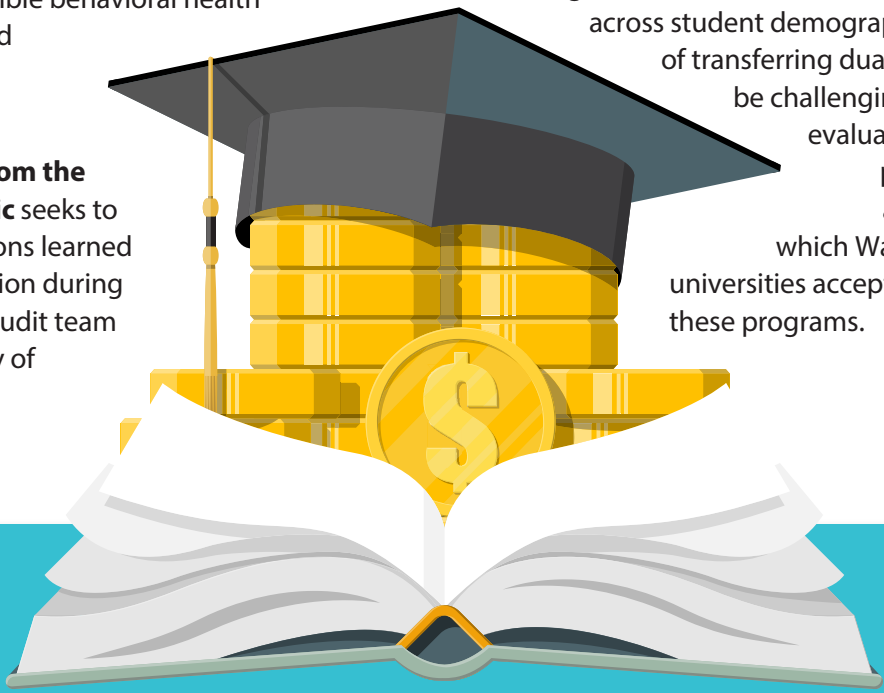


School Safety Planning Follow-Up revisited recommendations from the **2019 School Safety Planning** audit that were developed to improve regional cooperation through the work of Educational Service Districts (ESDs). The follow-up audit found that each of the nine ESDs has established a regional school safety center; all of them also provide training, resources and consultation to districts on safety issues. However, even though state law requires all ESDs to provide training and resources to help school districts learn how to bill Medicaid for eligible behavioral health services, only two did so regularly.

K-12 Education: Lessons Learned from the COVID-19 Pandemic seeks to identify the key lessons learned about public education during the pandemic. The audit team is designing a survey of

selected school districts, asking them about the innovative or nontraditional techniques they used to help teachers and students stay on course for educational goals when classrooms were closed to in-person learning.

Dual Credit Programs in Washington will examine the state’s dual credit programs, which allow students to earn high school and college credit simultaneously. Benefits of these programs include giving students early exposure to college coursework and reducing the cost of higher education. However, participation varies across student demographics, and the process of transferring dual credits can sometimes be challenging. This audit may evaluate opportunities to close participation gaps, as well as examine the extent to which Washington’s colleges and universities accept dual credits earned in these programs.



Are your school district's finances ready for an earthquake?

It was a dark and stormy night when the land shook, the waters receded, and the mountainsides tumbled down. Then came the great flood, destroying everything in its path. The epic battle between Thunderbird and Whale, creatures from the air and sea, was underway. This is one of several passed-down stories from Native Americans who experienced the last Cascadia Subduction Zone earthquake and tsunami on Jan. 26, 1700. Anniversaries of disasters are always an opportunity to focus on how we can prepare for future ones.



The Cascadia Subduction Zone (CSZ) is a large fault line stretching from northern California to southern Canada that is capable of producing the strongest of earthquakes. Stresses have been building along this zone for more than 300 years; experts believe that a giant earthquake, including one as high as a magnitude 9.0, followed by a large tsunami, has a **15 to 25 percent chance** of occurring in the next 50 years. However, this is only one of many earthquake risks in our state.

As a school district leader, you should be aware of your earthquake risks and take steps to ensure that your district is in a position to minimize losses and continue operating after a disaster. A major earthquake is going to be very costly if your area is directly affected, and even more so if your district is unprepared.

The Washington State Department of Natural Resources (DNR) has information that can help school districts assess their risk. DNR reports on earthquake risk for the

CSZ and **19 other potential scenarios** in our state that could affect counties like Yakima, Douglas, Chelan and Walla Walla. The agency also recently **evaluated** 561 public school buildings across the state and found that nearly all of them are at risk of partial or total collapse during an earthquake.

Here are some steps you can take to financially prepare your school district.

Address infrastructure risks now

- **Assess capital asset vulnerabilities.** You should know each of your building's risks and the estimated cost to make it safe, and then establish priorities and timelines for any needed construction projects. The Office of Superintendent of Public Instruction (OSPI) offers natural hazard assessment grants to help you gather building information (such as a structural assessment). Contact your OSPI regional coordinator for more information. You can also learn more about your district's buildings by viewing the pre-disaster mitigation section in the **Information Condition of School Inventory System (ICOS)**. This system tracks information about each school district's buildings, including potential natural hazards for each site and historical building hazard assessment results.
- **Learn about state funding programs.** In 2022, the Legislature formally established the school seismic safety grant program with Senate Bill 5933, and approved \$91 million in funding to begin this program. OSPI oversees these funds and is prioritizing

Continued on page 8



Continued from page 7

schools along the coastal region that face a dual risk of earthquake and tsunami. Schools can use funds for planning and construction for relocation, a retrofit or a tsunami evacuation structure. OSPI is working directly with at-risk coastal districts to coordinate projects. Once the coastal region has been served, there will be a funding opportunity for other high-risk buildings in districts across the state.

- **Explore federal grants for preparedness and mitigation.** Federal grants are available to help you prepare before disaster strikes, such as the [Emergency Management Performance Grant](#), the program for infrastructure preparedness called [Building Resilient Infrastructure and Communities](#), and the [Hazard Mitigation Grant Program](#). These opportunities are available to local jurisdictions as subrecipients to the state. You can find more information at <https://mil.wa.gov/grants>.

Improve your post-disaster financial resiliency

- **Ensure that you have a business continuity plan.** As part of your continuity of operations planning, your district should be prepared for your financial services to function after an earthquake emergency. This plan needs to work even if you have no internet, power or phone service. Staff should be trained on how to access the plan in case of an emergency. This plan should be a component of your [statutorily required](#) comprehensive school safety plan, sometimes referred to as an emergency operations plan.



Take action now to ensure recovery funding later

- **Make sure your district has a current hazard mitigation plan.** Each school district must have a plan in place before a disaster occurs in order to access Federal Emergency Management Agency (FEMA) funding after a disaster. School districts can choose to annex to their county's plan or adopt their own. If you want to learn more about creating a hazard mitigation plan, read [FEMA's guidance](#). If you are looking for funding to help you develop a plan, two grant programs are available: the [Building Resilient Infrastructure and Communities](#) and the [Hazard Mitigation Grant Program](#).

Continued on page 9

- **Form your financial risk management strategy.** Know your insurance options and coverage details, as well as your insurer's size and financial standing. For those participating in a risk pool, this would include the pool and all excess insurers. One thing to consider is an emerging tool called [parametric risk insurance](#). This type of product provides a set payout based on the earthquake's magnitude rather than the extent of damage. It also can pay out within days, whereas traditional earthquake policies may take months or even one to two years to pay.
- **Consider the adequacy of your emergency cash reserves.** Depending on the size of the earthquake, an event of this nature could be costlier than you ever imagined, and your emergency cash reserves should reflect your estimated need. Consider the extra costs to support the school community, the potentially high costs for materials and supplies to carry out repairs, the additional costs to resume operations after the disaster, and the overall estimated length of recovery.

Continued from page 7

- **Qualify your school district for recovery-based grants now.** Learn about recovery-based grants and the steps you need to take now to qualify for grant funding after a disaster. Recovery-based grants can have prequalifying conditions or requirements for maintaining eligibility. Talk with your local emergency management department, the Washington State Department of Commerce, and the Washington State Military Department for help identifying potential programs.
- **Prepare to manage federal grant(s).** You will need people with special skills to apply for and manage federal grant money. They should be familiar with local and federal procurement rules, as well as grant regulations and local grant policies. Evaluate your capacity to manage an influx of grant funds and what steps you will need to take if the need exceeds the capability of your resources. You'll want to think about how you would meet those financial management obligations and what that process may entail (for example, expedited hiring). If you do not manage these grants properly and maintain the appropriate documentation, you may have to repay grant funds years after receiving them.

Given the potentially hefty price tag of an earthquake disaster and the risk to student safety, you should be informed about the extent of risk facing your school district and actively help shape the path forward.

Learn more about the earthquake risks in Washington

- **What to Expect When you are Expecting an Earthquake** (1 hour 30 minutes; video provides detailed information about earthquake risk in Washington)



- **Dr. Erin Wirth – Understanding Cascadia’s next Great Earthquake** (1 hour)
- **Tsunami Escape – Washington’s Uphill Battle**, a TVW documentary (20 minutes)

If you have questions or comments, email center@sao.wa.gov or contact Team School Programs at (509) 726-1874.

Earthquake probability statistics were obtained from the Pacific Northwest Seismic Network, which were adapted from the United States Geological Survey. Read more in the [School Seismic Safety Project 2019-2021 Legislative Report](#) (see Figure 1, page 11).



Are your ACH internal controls strong enough to protect your district from fraudsters? SAO has a new resource to help you



Do you remember the Nigerian prince scheme—that long-running internet fraud where the bad actor drains your bank account after convincing you to share your personal information? Scammers made \$703,000 in 2018 alone on that one. While some fraudsters are still working that old con, others have moved on to impersonating your employees and vendors to redirect Automated Clearing House (ACH) payments meant for payroll direct deposits or vendor payments. In fact, Washington governments reported \$4.7 million lost to these schemes in 2020 and 2021.

How do these bad actors target your ACH payments? They typically start by emailing one of your employees, perhaps asking to update contact information first. This allows them to change bank account information months later without raising alarms. Once they persuade staff to change banking information, vendor or employee payments will go straight to the scammers. Really slick operators may hack into a vendor's actual email account, and wait until they see a large payment is due to go out before making their move.

Your own employees can also perpetrate ACH fraud. If employees have the right system access, it only takes a few keystrokes to change a vendor's banking information to a personal account.

You should know that once you send an ACH payment, the money is gone. Your bank, as the originating bank, can request the receiving bank return the funds. However, the receiving bank is under no obligation to do so—and in many cases, it's not even possible if the fraudsters have already moved the money out.

Fraudsters constantly refine and evolve their scams, so you must be vigilant and ensure your school district's internal

controls evolve, too. To help you, SAO has developed a new resource: **Best Practices for ACH Electronic Payments**. This new resource has:

- Tips to help you develop and maintain policies for your ACH payment process
- Key areas to address in your ACH employee fraud training to help employees become “responsibly suspicious” and learn how to spot red flags
- Recommendations about how to segregate duties to reduce your fraud risk—an important practice for preventing and detecting ACH payment fraud
- Advice to help you establish a verification process for new payee information or requested changes to existing contact information, mailing addresses or banking information
- Guidance for managers on how to monitor for and prevent unauthorized payee account changes in the vendor master and ACH payment files

Interested in additional resources?

All our guidance is available online at no cost. We have a lot of great information to share, so spend a few minutes in **SAO's Resource Library** to see what we have to offer!



Smart school districts know cyber health is key. Talk to SAO's Center for Government Innovation today about a free checkup!

Cybercriminals find school districts very attractive targets due to the vast amount of sensitive data about employees and students they maintain. To keep pace with the constantly evolving threats and tactics, it's essential that you understand how to minimize your district's risk of attack.

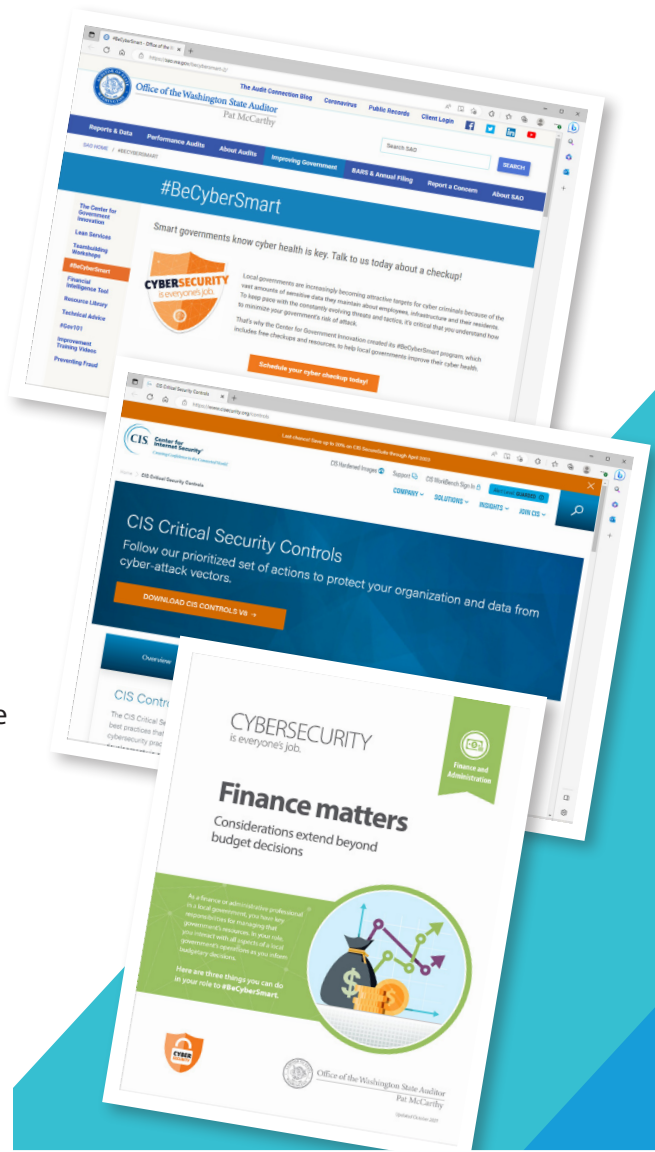
That's why SAO's Center for Government Innovation is excited to launch **new cyber checkups**, as part of its #BeCyberSmart program. The Center's checkups provide a fast, free and independent assessment of your district's vulnerability to common threats.

The Center's checkups draw on the framework developed by the Center for Internet Security (CIS) in its **Critical Security Controls, Version 8.0**. The CIS Controls—developed by a consortium of private companies, government agencies and universities—are a list of highly effective defensive actions organizations can take to improve their cybersecurity.

A cyber checkup will help you:

- Understand cybersecurity safeguards and why they're important
- Identify cybersecurity gaps and prioritize improvements
- Begin building a cybersecurity program if you don't have one already
- Connect to free and low-cost resources to improve your cyber health

To learn more about the Center for Government Innovation's new cyber checkups, visit the [Center's webpage](#) or contact the Center at 564.999.0818 or Center@sao.wa.gov.



WASBO Session Alert

To learn more about how SAO's new cyber checkups, be sure to attend our session, "How to Extinguish a Hacker's Passion for Your District's Data."

Thursday, May 4: 10:30 a.m. – 11:20 a.m., Room 203

Remember to check the conference app for the latest schedule.

Check out SAO's Center for Government Innovation webpage to find helpful tools and resources

When's the last time you visited the [Center for Government Innovation's web page](#)? It's chock-full of tools and resources to help your district solve problems and improve operations.

Cyber Checkups – Get a fast, free and independent assessment of your district's vulnerability to common cybersecurity threats. It includes actionable steps you can take to improve your overall cyber health. Schedule your checkup online today!

Lean Services – Want to streamline tasks and workflow? Whether it's payroll, purchasing or any other area, the Center's Lean specialists can help your school district optimize efficiency, quality and customer service.

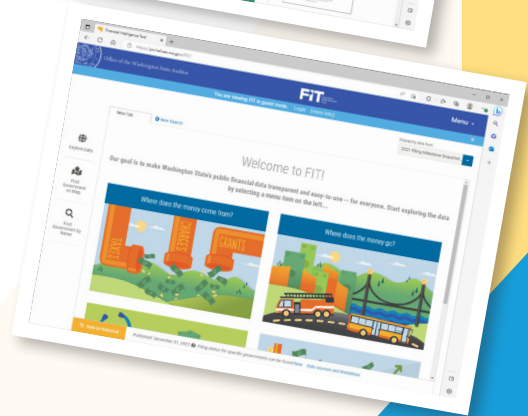
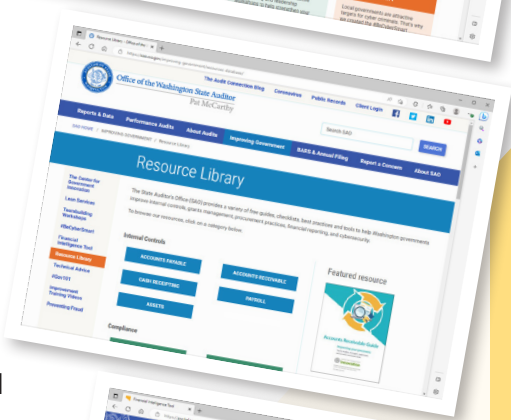
Teambuilding & Leadership Workshops – Strengthen your team, increase trust and productivity, even promote workplace harmony and employee satisfaction with the Center's CliftonStrengths workshops.

Online Resource Library – Browse our free guides, best practices and checklists addressing topics as varied – and essential – as internal controls, operations, cybersecurity, technology and more.

Financial Intelligence Tool (FIT) – Visualize your district's data in a whole new light on the Center's interactive FIT tool.

Technical Advice – Get guidance on how to incorporate leading best practices into your district's internal controls, processes, cybersecurity and more.

Connect with the Center for Government Innovation today!



WASBO Session Alert

To learn more about how to strengthen your team and relationships, don't miss "Calling All Super Heroes: Ignite the Power and Strength of Your Team."

Thursday, May 4: 2:40 p.m. – 3:30 p.m., Room 206D

Remember to check the conference app for the latest schedule.

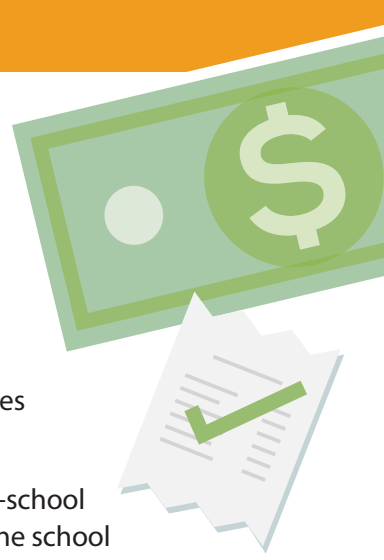
WASBO Session Alert

To learn more about how to manage change using the principles of Lean, attend "Create a Spark to Ignite a Brighter Future."

Thursday, May 4: 9:00 a.m. – 9:50 a.m., Room 206C

Remember to check the conference app for the latest schedule.

Small-dollar transactions, big responsibilities: What you need to know about ASB fundraising and cash receipting



Whether from yearbook sales, prom tickets or direct donations, **the money raised by Associated Student Body (ASB) groups are public funds.**

State law (RCWs [28A.325.020](#) and [.030](#)) makes plain that ASB funds are designated as public funds of the school district. This means districts must safeguard and account for ASB funds the same way they guard levy dollars or apportionment funds. It also means if ASB funds go missing or are stolen, you must report the loss to SAO.

Since fundraisers often involve lots of transactions for small dollar amounts being collected by students, they are a high-risk activity that call for strong controls and oversight. Ensuring you have strong cash handling procedures in place will go a long way to protecting these public funds. Here are some key steps to take for every fundraiser.

1. **Document all the money you receive as soon as you receive it.** Lots of methods can achieve this goal: cash register receipts, reports from a point-of-sale system or old-fashioned receipt books. (If you use receipt books, just make sure they're printed with the district and school name on them as a fraud-prevention measure.) If you have to void a receipt, two people must witness and sign it.
2. **Do a cash count.** If it's a multi-day event, do it at the end of each day. At one high school, SAO auditors conducted their own cash count and found the ASB fund was \$1,161 short. A school official was aware of the shortage, but did not quickly report it to management. That meant the loss of public funds was not reported to law enforcement or SAO as required by state law.
3. **Deposit the funds each day,** in the same cash or check composition noted on the receipts and cash counts. (To deposit less frequently requires a waiver from your County Treasurer (RCW [43.09.240](#).) SAO auditors once discovered an ASB holding more than \$15,000 in the ASB

office. This substantially increases the risk of fraud or loss.

- Money collected at an after-school event should be locked in the school safe or deposited in the night drop at the district's bank.

4. **Ensure the fundraising receipts are reconciled** to the fundraising documents and revenue projections at the end of the event.

Other best practices include ensuring you provide annual training for ASB staff and students on the role of ASBs; establish procedures for activities that involve goods or money; and have rigorous staff oversight of ASB activities to ensure everyone follows district policies and procedures.

SAO offers resources and an on-demand training to make sure your cash handling procedures are strong:

Cash Receipting Guide and Checklist: Find tips and best practices for managing your cash collections. The guide includes a suite of short, one-to-two-page resources for leaders, managers, supervisors and payroll clerks. You can print the guide in sections, and customize the checklist to meet your needs.

Cash Receipting: Fraud Prevention and Internal Controls on-demand training: Follow an actual fraud case while learning about important best practices for internal controls.

WASBO Session Alert

To learn more about how to account for the public funds used by your Associated Student Body group, don't miss "Surviving an ASB Audit."

Friday, May 5: 9:40 a.m. – 10:30 a.m., Room 206A

Remember to check the conference app for the latest schedule.

How to evaluate your risk when making electronic disbursements



The disruptions caused by the COVID-19 pandemic resulted in increased dependence on technology and electronic payment networks. This shift has created new opportunities for bad actors to steal public resources and assets from your government. By using various cyber fraud schemes, such as fake email addresses or compromised email accounts, bad actors are successfully tricking governments into rerouting electronic disbursements to their own accounts. And the fraudsters are raking in a hefty profit. Between 2019 to October 2022, Washington's governments have reported more than \$21.8 million in estimated cyber losses to our Office.

Unfortunately, we hear frequently of organizations in both the public and private sector falling victim to these cyber frauds. Between 2019 to October 2022, our Office has received 175 reports of cyber frauds from governments in Washington state. Considering governments are increasingly using electronic disbursements, including Automated Clearing House (ACH) payments and electronic funds transfers (EFTs), it is important to understand what factors might be increasing your risk of experiencing a cyber fraud. Based on our own investigations of cyber-related fraud, here are some key risks to be aware of:

- **Personnel changes** – Whether employees are retiring or seeking new opportunities, staff changes have been happening everywhere, especially in government. With staff turnover comes the risk that newer employees may not be aware of the processes and controls your government has in place to combat these frauds. Remember to educate and train your staff on your expected policies and procedures, and to be vigilant on these cyber schemes.
- **Remote working environments** – While technology makes it easier for remote employees to perform their duties and stay connected, remote work environment also bring several cybersecurity challenges. It's important to stay on top of these potential vulnerabilities to prevent cyber frauds, such as phishing or malicious software being installed for deceitful purposes. Our Office has some tips and tricks available on how to protect your data in this [October 2022 blog post](#).

- **Operational adjustments** – Your government's operations may have shifted since the onset of the COVID-19 pandemic, and now you may be using electronic payments more frequently than physical checks or warrants. This is ripe for bad actors to take advantage of, as they hope that you will fall for their scheme and wire these payments directly into their bank accounts. Check out some best practice tips regarding these [ACH payments](#) and [wire transfers](#).
- **The "everything is okay" trap** – Your government's staff and management may have a mindset that you won't experience a cyber fraud, especially if you have strong policies established, clean audits, haven't experienced a fraud yet. This potentially false sense of security may heighten the risk of your employees and managers letting their fraud-prevention guard down, and that's one trap you don't want to fall into. It's always a good practice to revisit your policies and procedures, and we recommend bookmarking our [Segregation of Duties Guide](#) to help you evaluate your current environment.

At the end of the day, no government is immune from these risks, and fraud can absolutely happen to you. But just because fraud can happen, doesn't mean you have to let it. You can prevent electronic disbursement frauds if you take proactive action now by establishing strong controls and monitoring.

More resources

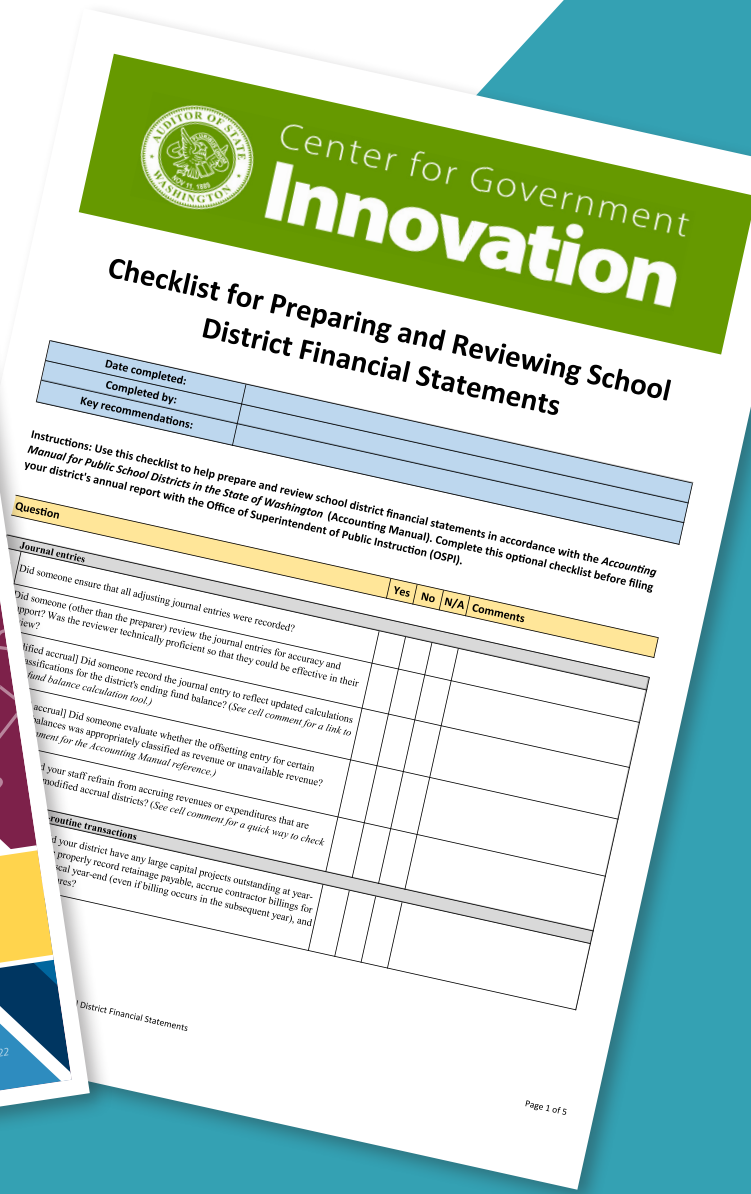
Our Office has other excellent resources available on internal controls and best practices to consider implementing, to prevent cyber frauds from happening to you. Check out our [#BeCyberSmart page](#), [Resource Library](#), and new [Preventing Fraud page](#).

Setting the tone at the top: SAO's fraud-prevention resource for elected officials and appointed boards

Publicly elected school directors have a responsibility to understand their district's operations. They also have a key role to play when it comes to preventing, detecting and responding to employee fraud. That's why we developed **Trust, but Verify: A Guide for Elected Officials & Appointed Boards to Prevent Workplace Fraud** to help leaders better understand their role in creating a fraud-prevention culture.

Preparing your district's annual report? SAO can help

Before you file your financial statement with OSPI, download our **Checklist for Preparing and Reviewing School District Financial Statements**. This handy self-assessment checklist will help you ensure that you don't miss a step when preparing your financial reports. This year's checklist includes updated guidance on lease accounting and recording transactions.



Coming soon: Updated OPMA resources

Only a few years ago, people could show up to watch school board members conduct district business in person, with a microphone for public comment perched in front of them. The pandemic changed many things, including how local governments comply with Washington's Open Public Meetings Act (OPMA). Almost overnight, public meetings shifted to virtual environments and staff were scrambling to make it all work.

Three years later, districts are returning to in-person meetings and events, but the OPMA will continue to require governments to provide a virtual option. Since failure to comply with the OPMA could expose schools to legal liability, SAO's Center for Government Innovation is partnering with the Municipal Research and Services Center (MRSC) to update their OPMA resources.

The new updates will include:

- Guidance on the latest OPMA-related court decisions and state legislation
- Practical tips on how to hold hybrid meetings
- Robust information for elected officials when they communicate through social media, messaging and shared documents
- Tips on emergency meetings during extreme weather



Look for the new resources by the end of June on SAO's and MRSC's websites. If you'd like to be notified when they're published, sign up for SAO's e-newsletter at

Stay In the
KNOW
with **SAO**

SCAN CODE





How to print this report:

- Move your mouse cursor to the bottom of your browser window. A bar will appear with several icons. Click the "download PDF" button.
- Open the downloaded PDF, and choose the "print" option from your PDF reader.
- Consider "printing on both sides, flip on short edge" to save paper.
- Finally, decide whether you want full color or grayscale – we know folks rooted in #GoodGovernment are judicious with printer ink.