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CITIZENS SUMMARY

Findings in the audit of the Francis Howell R-III School District

Proposition S

District officials were not transparent with the Board or the public about the Francis Howell North High School (FHN) construction cost estimates and the Board did not question information provided or always request additional information when approving construction bids. The district publicized significantly underestimated costs for the FHN construction as part of its Proposition S marketing materials. Even after district officials became aware of project scope changes and higher costs, they withheld this information from the Board and the public for almost a year. The FHN project final guaranteed maximum price (GMP) nearly doubled from the original estimate of approximately \$86 million to over \$164 million as of November 2021.

While district officials were not transparent with the Board or the public, the Board also did not ensure various committees and design teams related to Proposition S provided periodic cost updates on projects during the initial construction phases or maintained meeting minutes, and the Board did not request additional information early in the FHN project. As a result, the Board made decisions with insufficient knowledge or understanding of the financial impact of those decisions. As of March 2024, district officials have identified 71 originally planned Prop S projects, totaling at least \$56.18 million, that will not be completed. Of those, 22 projects were classified as no longer needed, but the district classified the remaining 49 as requiring additional funding or "further evaluation and prioritization based on district wide-needs." Projects were eliminated due to the inaccurate original estimates and increased costs of the new FHN and other projects.

District officials did not use a transparent and competitive process to select key personnel responsible for the planning and oversight of the Proposition S projects. District officials' insistence that project management firms hire a former district employee as the project manager improperly limited the eligible candidates. The added requirement prevented the highest ranked firm from being chosen and resulted in the Board selecting a firm that district officials had previously determined to be inferior. The former employee worked for this firm and the firm was owned by his brother.

A June 12, 2020, draft of the Board recommendation memo lists the advantages of the various project management firms evaluated including the highest scoring firm's agreement to hire the former district employee for on-site project management services and indicates district officials recommended the Board approve that firm as the project manager. On June 17, 2020, the day before the meeting when the Board was scheduled to vote on the selection, the recommendation document was edited to show district officials no longer recommended the highest ranked firm and instead recommended a lower ranked firm owned by the former district employee's brother. On the same day, an email from the former district employee indicated he and his company always intended to work directly with the district and would not be able to partner with another firm. As a result, the district's insistence on his participation always limited the eligible firms to only 1 firm.

The district also did not request qualifications for architectural services for the Proposition S construction projects as required.

Safety Drills	District schools did not perform safety drills in accordance with policy and/or did not sufficiently document or review drills performed. In addition, Board safety drill regulations and guidance are inconsistent. A review of drills held at 22 of the 23 district schools found 9 did not conduct intruder drills as required, 2 did not conduct fire drills as required, and 11 did not have the first 2 fire drills within the first 2 weeks of school as required.
Attendance	The district's attendance system does not sufficiently limit the time period when changes can be made and there is no review by district officials to ensure changes made to current school year attendance records are appropriate, some users have more access in the attendance system than required for their job duties. The district claimed student attendance when students were not present because certain attendance codes were improperly programmed into the attendance system. The district overstated student attendance hours for the 3 high schools by approximately 1,617 hours for the 2021-2022 school year and 1,458 for the 2022-2023 school year. The overstated student attendance hours resulted in approximately \$11,500 in total excess state funding for the 3 schools over the two school years.
District Financing	The district issued general obligation (GO) bonds using a negotiated sale rather than a competitive sale process, did not solicit proposals for underwriting services, and received financial advisory services from the underwriter. The bonds were also sold in a private sale without advertisement. The district's bond underwriter received fees for the bond issuances totaling approximately \$1.6 million. While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting bond underwriters, competitive sales may result in lower interest costs for the district. Furthermore, competition in selecting bond underwriters is important to ensure services are obtained from the best qualified providers at a fair price. The Municipal Securities Rulemaking Board Rule G-23 clarifies the financial advisor has a fiduciary responsibility to the governmental entity (issuer) and cannot act as both financial advisor and underwriter on the same bond issue.
Accounting and Cash Handling Controls and Procedures	The district does not provide sufficient guidance to schools on how to handle receipts, and cash handling procedures are inconsistent. Some school personnel maintained their own procedures while others indicated cash handling processes were communicated from previous employees. District officials have not adequately segregated duties, or performed documented supervisory or independent reviews of the accounting records. Inconsistent procedures and weaknesses exist in receipting, transmitting, depositing, and securing money received at some schools. District officials were not aware of all money maintained at school buildings. Finance department personnel did not know that any school maintained a petty cash fund, although district policy and the Business Operations Manual allow for such funds at the approval of the Chief Financial Officer.
Payroll and Personnel Procedures	District policies and regulations do not reflect the maximum vacation leave balances that chief, director, and manager level employees may carry over from year to year. The district does not properly report commuting mileage as a taxable fringe benefit for employees who commute with district-owned vehicles. Employment records for several employees were not complete. Some payroll employees had more access in the payroll and leave systems than required for their job duties and there is no review or secondary approval for new employee profiles created by human resources staff. A review of the payroll software noted 3 payroll employees had the ability to add new

employees to the system and to change pay rates when their job duties were limited to processing payroll for existing employees at established pay rates.

District Property

The district did not provide sufficient guidance to building officials on how to track school property, and as a result, building level property records are inconsistent or nonexistent. Of the 23 buildings in the district, officials for 12 buildings indicated they did not have a building property list.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



Recommendations in the audit of the Francis Howell R-III School District

Proposition S	<p>The Board of Education:</p> <ol style="list-style-type: none"><li data-bbox="568 367 1497 577">1.1 Ensure full transparency for all existing and future capital projects, including establishing policies and procedures to require detailed updates of project progress and costs and to ensure meeting minutes are taken by all committees. In addition, the Board should ensure it has received all the information necessary to fully evaluate the project before approving capital project bids and contracts.<li data-bbox="568 609 1497 745">1.2 Ensure the selection process is equitable and transparent and qualification requests do not unfairly limit eligible candidates. In addition, the Board should periodically request and evaluate qualifications for architectural services.
Safety Drills	<p>The Board of Education ensure safety drills are conducted as required and appropriately documented and ensure policies, regulations, and guidelines are consistent and appropriately communicated.</p>
Attendance	<p>The Board of Education:</p> <ol style="list-style-type: none"><li data-bbox="568 976 1497 1123">3.1 Implement additional controls and procedures over attendance data, including restricting the time period when changes can be made without authorization, reviewing available reports, and limiting user access rights to only what is necessary to perform job duties.<li data-bbox="568 1155 1497 1291">3.2 Correct attendance records and coding for any attendance improperly reported, and periodically review attendance coding to ensure compliance with district and Department of Elementary and Secondary Education (DESE) attendance guidelines.
District Financing	<p>The Board of Education consider open competition in any future bond sales and obtain independent financial advice for bond issues.</p>
Accounting and Cash Handling Controls and Procedures	<p>The Board of Education:</p> <ol style="list-style-type: none"><li data-bbox="568 1491 1497 1564">5.1 Ensure district procedures are consistent, formally documented, and communicated to all employees responsible for cash handling.<li data-bbox="568 1596 1497 1701">5.2 Adequately segregate accounting duties or ensure documented supervisory or independent reviews of detailed accounting records are performed.<li data-bbox="568 1732 1497 1837">5.3 Ensure money is properly receipted, supported, transmitted, and deposited timely. Also, the Board should ensure money is properly secured.<li data-bbox="568 1869 1497 1936">5.4 Establish procedures to identify and track funds maintained at school buildings.

Payroll and Personnel
Procedures

The Board of Education:

- 6.1 Establish formal annual leave schedules for senior administration employees.
- 6.2 Comply with Internal Revenue Service (IRS) guidelines for reporting fringe benefits related to personal and commuting mileage and require logs to provide supporting documentation for vehicle usage.
- 6.3 Ensure employment records are maintained and complete for all employees.
- 6.4 Limit user access in the payroll and leave systems to only what is necessary to perform job duties, ensure there is supervisory review and approval for all new employee profiles, and periodically review user access to ensure access is properly assigned.

District Property

The Board of Education provide guidance to building officials to ensure property records are complete and consistent.