



CITIZENS SUMMARY

Findings in the audit of the Rockwood R-VI School District

Program Management Services, Change Orders, and Conflict of Interest	The district has used the same program management company since the late 1990s. Although proposals are solicited for these services, the district said bidder qualifications and experience are the deciding factors and fees are not negotiated until after the vendor is selected. It appears the district overpaid this program management company by paying a percentage fee of estimated costs rather than actual costs and by paying \$1,203,178 in additional fees for change orders for work not contemplated in the original contract. The district often used change orders for substantial project changes or for new projects without soliciting bids and without documenting the reasons for using change orders rather than bidding. While still employed by the program management company, a School Board member voted in favor of projects which increased the fees paid to the program management company. Such conflicts of interest violate district policy and state law. In addition, the district does not retain all bid proposals and related documents as required.
Bond Financing	The district used the same provider to serve as both financial advisor and bond underwriter for several general obligation refunding bond issues, which causes an inherent conflict of interest. The district sold these bonds using negotiated sales, which is allowed by state law, but competitive sales would likely result in lower interest costs for the district.
Procurement Cards	The district has not adequately analyzed which staff need procurement cards or the number of cards needed, and the master credit card list is not accurate. The district requires users to obtain approval before exceeding transaction or monthly credit limits, but does not maintain documentation of such approvals.
Procurement Procedures	The district frequently obtains professional services without benefit of a competitive selection process. The district has used the same law firm and auditing firm without soliciting proposals for either since 2005. The district hired two former colleagues of the superintendent as consultants without soliciting proposals, and the district has not solicited bids for vendor fuel card services since September 2007.
Receipting Procedures	Most departments and/or programs do not issue receipt slips for monies received or issue receipt slips only for cash receipts, and receipt records do not always support the amounts deposited. Most departments make copies of checks and record cash amounts on receipt or deposit logs. Audit staff reviewed several deposits and found several missing copies of checks, making it difficult to account for all monies received. Various departments transmit monies to the Finance Department and the Community Education Department for further processing and deposit, but employees do not document their acknowledgement of the transmitted monies. Audit staff found one deposit exceeded the transmitted amount by \$650 with no explanation.

Capital Assets and Fuel Usage	The district does not conduct an annual physical inventory of district property, and the district's capital assets procedures and records are not adequate. There were gaps in the numerical sequence of assigned identification numbers, a network server was mislabeled on the asset listing, and some vehicles were not properly reported on the capital asset listing. The district does not document a reconciliation of diesel fuel pumped to fuel invoices, the district receives a monthly report of fuel card purchases but no review or approval is documented, and mileage/usage logs are not maintained for most vehicles.
Superintendent's Contract	The Superintendent's contract for the 2012-2013 school year provides for \$150,000 of life insurance, but a \$500,000 life insurance policy has been provided since July 1, 2010.
Attendance Reporting Controls	The district's attendance system allows changes to be made to student attendance records anytime during the current school year, and there is no review by district officials to ensure changes made to current year attendance records are appropriate.
Computer Controls	The district does not require that computer passwords be periodically changed, and no security controls are in place to shut down computers after a certain period of inactivity or detect or prevent incorrect login attempts.

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

American Recovery and Reinvestment Act (Federal Stimulus)	During the audit period, the district received and expended \$680,857 in Federal Stimulus monies. Details are contained in the audit report.
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*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.