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CITIZENS SUMMARY

Findings in the audit of the Hannibal School District #60

Financial Condition	The financial condition of the district's operating funds has declined and is approaching the "financially stressed" classification. A school district is classified as "financially stressed" if the year-end balance in combined operating funds is less than 3 percent of expenditures.
Procurement Procedures	The district used the same firm to serve as both financial advisor and bond underwriter on general obligation bond issuances creating an inherent conflict of interest because an underwriter's incentive is to have bonds carry a higher interest rate to make them more attractive to investors, while the issuer's incentive is to keep the interest rate low to minimize borrowing costs. Additionally, the district sold the bonds using a negotiated sale rather than a competitive sale process, even though a competitive sale could result in lower interest costs for the district. Board policy on competitive purchasing is vague and does not reflect some requirements of law, which requires bidding for supply purchases exceeding \$5,000. Competitive bids were not obtained for some purchases that exceeded this amount.
Accounting Controls Over Cash Receipts	Improvements are needed in the handling of student activity and event admission receipts. The district has not adequately segregated the duties of receiving, recording, and depositing money for event admissions and student activities. For activities, receipt slips are not consistently issued, and staff does not transmit or deposit receipts timely or intact. In some instances, receipt slips were not pre-numbered, the method of payment was not noted on receipt slips, and the composition of receipts was not reconciled to deposits. Established procedures were not always followed for documenting transmittals from faculty and for recording receipts from students. Some collections were deposited 2 weeks or more after receipt, and cash and checks retained on hand were excessive. Change and petty cash funds are not maintained at constant amounts and have been used for items inconsistent with their intended use.
Personnel and Payroll Policies and Procedures	The district does not have adequate controls to prevent and detect employee payroll errors. Additionally, the district provides an additional retirement benefit to employees in excess of normal public retirement benefits. The district believes the incentive offers cost savings to the district by encouraging early retirement of personnel in higher salaried brackets, but has not performed any analysis regarding whether the program is effective. The district has also not kept Board members informed of the total liability to the district.
Electronic Data Security	Controls over district computer systems are not sufficient leaving the district's electronic data unprotected and susceptible to damage or theft. The district has not established adequate password controls to reduce the risk of unauthorized access. Security controls are not in place in any of the district offices to shut down a computer after a certain period of inactivity or lock it after a specified number of incorrect logon attempts.

School Bus Replacement Policy	The district has not adopted a bus replacement policy to plan for the replacement of the high number of old and high mileage buses in its fleet.
Capital Assets	The district's capital asset records are not complete and are not updated timely when purchases and dispositions occur and physical inventory procedures are not adequate. The district has not tagged or otherwise identified all property items belonging to the district.

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

*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.

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