



Thomas A. Schweich

Missouri State Auditor

Mexico 59 School District

October 2012
Report No. 2012-128



<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Mexico 59 School District

Segregation of Duties	The accounts receivable clerk at the central office is responsible for receiving, recording, and depositing all receipts and for processing all disbursements, and financial secretaries at each school receive, record, and deposit various monies and submit supporting documentation to the central office without supervisory review. Proper segregation helps ensure all transactions are accounted for properly and assets are adequately safeguarded.
District Procedures	The district does not adequately monitor fuel purchases or vehicle use, which could result in theft and misuse going undetected. Gallons pumped from the bulk diesel fuel tank are not reconciled to gallons purchased, vehicle mileage logs are not maintained for gasoline vehicles, and 7 of 30 invoices we reviewed for district fuel card purchases did not identify the vehicle being fueled, as required by district policy. Employees are reimbursed for mileage for personal vehicle use when a district vehicle is not available, but the district does not adequately document the purpose of the travel. The district has used the same attorney for at least five years and has used a business consultant since 2009 to help with budget preparation and salary protocols, but it did not conduct competitive selections and has no written agreements for these services.

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

American Recovery and Reinvestment Act (Federal Stimulus)	The district was awarded a total of \$1,326,810 during the audit period, most of which was spent on teacher salaries. More detail is contained in the Organization and Statistical Information section of the audit report.
---	---

*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.

All reports are available on our website: <http://auditor.mo.gov>

Mexico 59 School District

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Segregation of Duties4 2. District Procedures4
---	--

Organization and Statistical Information	8
---	---



THOMAS A. SCHWEICH

Missouri State Auditor

To the Board of Education
Mexico 59 School District

The State Auditor conducted an audit of the Mexico 59 School District under authority granted in Section 29.205, RSMo. We have audited certain operations of the district in fulfillment of our duties. The district engaged Graves & Associates, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2011. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; inspection of capital assets; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Mexico 59 School District.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	James M. Applegate, MBA Mariam Ahmedbani

Mexico 59 School District Management Advisory Report State Auditor's Findings

1. Segregation of Duties

Accounting duties at the central office are not adequately segregated, and supervisory review procedures should be improved. As a result, the risk of loss, theft, or misuse of funds occurring without detection is increased.

The accounts receivable clerk at the central office is responsible for receiving, recording, and depositing all receipts, and for processing all disbursements. Monies received and deposited include property taxes, transportation fees, scholarship donations, tuition payments, and vendor refunds. The business manager, who is responsible for overseeing all district fiscal activities, indicated he does not document any formal reviews of district receipt and deposit records.

In addition, financial secretaries at each school receive, record, and deposit various monies and submit supporting documentation to the central office; however, there are no procedures to require supervisory reviews of the records maintained by the financial secretaries.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, timely supervisory reviews should be performed and documented.

Recommendation

The School Board adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews of the accounting records are performed.

Auditee's Response

The School Board provided the following written response:

The district has instituted a voucher system in which the Accounts Receivable Clerk must fill out a deposit verification form for each receipt of cash and/or checks received by the Central Office. This form is then substantiated and signed by another business office staff member.

Administration will institute procedures creating supervisory or independent reviews of cash receipt and depository records regarding financial secretaries.

2. District Procedures

Various district procedures need improvement, including fuel purchases, vehicle use, mileage reimbursements, and professional services contracts.

2.1 Fuel purchases

1.1 Fuel purchases

The district does not adequately monitor fuel purchases. The district spent approximately \$101,000 on diesel fuel and \$20,000 on gasoline during the year ended June 30, 2011.

The district maintains a bulk diesel fuel tank for its buses and other district-owned diesel vehicles. A log is maintained for the tank which documents



Mexico 59 School District
Management Advisory Report - State Auditor's Findings

the date, vehicle number, odometer reading, and gallons pumped; however, the district does not compare gallons pumped to gallons purchased. The fuel vendor electronically monitors the level of fuel in the tank and fills the tank as needed. The district's transportation supervisor indicated he does not monitor the amount of fuel purchased or used.

Employees purchase gasoline using district fuel cards at various gasoline stations. District policy requires employees to identify the applicable district vehicle on each gasoline invoice; however, for 7 of 30 (23 percent) gasoline purchases we reviewed, the employee did not identify the vehicle on the gasoline invoice.

Failure to reconcile fuel used to fuel purchased and identify the vehicle for which gasoline is purchased could result in theft and misuse going undetected. Adequate procedures for monitoring fuel purchases are necessary to ensure the reasonableness and propriety of fuel disbursements.

2.2 Vehicle use

The district does not adequately monitor vehicle use. The district does not maintain vehicle mileage logs or record odometer readings for gasoline vehicles. While odometer readings are recorded for diesel vehicles as noted in section 2.1, the district does not document total mileage for each vehicle or compare mileage to fuel use. District personnel indicated vehicle use is reviewed for reasonableness, but these reviews are not documented.

Failure to maintain mileage logs or other mileage records could result in misuse going undetected. Mileage logs and comparison of mileage to fuel use are necessary to ensure the reasonableness of vehicle use and to prevent and detect theft and misuse of fuel.

2.3 Mileage reimbursements

The district does not adequately document the purpose of employee mileage reimbursements. Employees are reimbursed mileage for use of personal vehicles when a district vehicle is not available for use. Mileage reimbursement forms are prepared which document miles driven and date of travel; however, the forms do not clearly document the business purpose of mileage, and district travel policies do not specifically require employees to state the purpose of travel on the forms.

Without adequate documentation of the purpose of travel, the district has less assurance all travel expenses are reasonable and necessary.

2.4 Professional services

The district did not solicit proposals for the following professional services:

- The district has used the same attorney for at least 5 years without conducting a competitive selection process. The district also has no written agreement with its attorney. The district paid \$55,431 to this attorney during the 2 years ended June 30, 2011.



Mexico 59 School District
Management Advisory Report - State Auditor's Findings

- The district has used a business consultant since 2009 to help with budget preparation and salary protocols without conducting a competitive selection process. The district also has no written agreement with this consultant. The district paid \$5,441 to this business consultant during the year ended June 30, 2011.

Soliciting proposals for services is a good business practice, helps provide a range of possible choices, and allows the district to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions be in writing.

Recommendations

The School Board:

- 2.1 Adopt procedures to periodically compare diesel fuel purchased to fuel used and ensure the district vehicle is identified on each gasoline invoice.
- 2.2 Maintain logs or other records of mileage for each vehicle and adopt procedures for documented reviews of the reasonableness of mileage and fuel use.
- 2.3 Adopt procedures to require documentation of the business purpose for all employee travel.
- 2.4 Periodically solicit proposals and enter into written agreements for professional services.

Auditee's Response

The School Board provided the following written response:

- 2.1 *The Director of Transportation will review diesel fuel purchases versus diesel fuel used.*

A procedure has been implemented to record each district vehicle's usage on gasoline invoices and/or receipts. Once gas is purchased, the employee is required to identify the vehicle number on the receipt and sign the gasoline receipt. In addition, the district fuel credit cards are required to be signed out by an employee before it can be used to purchase gasoline.

- 2.2 *The use of mileage logs for each district owned vehicle will be established. The Director of Transportation will also perform a periodic review of the reasonableness of mileage and fuel use for each vehicle.*



Mexico 59 School District
Management Advisory Report - State Auditor's Findings

2.3 *In-district travel reimbursement forms have been redone to include the business purpose of mileage driven. Out-of-district travel reimbursement forms already have this information required.*

2.4 *Attorney's Services: The school district will obtain a written retention letter and billing rates for legal services. The district will receive itemized bills that reflect the billing rates. The district will periodically solicit legal firms for their billing rates and services.*

Business Consulting Services: The school district will obtain a written contract for business consulting services. The district will periodically solicit for business consulting services.

Mexico 59 School District

Organization and Statistical Information

The Mexico 59 School District is located in Audrain County, Missouri.

The district operates a senior high school (grades 9-12), a middle school (grades 6-8), three elementary schools (grades K-5), an early childhood center, an education center, and a career center. Enrollment was 2,287 for the 2011-2012 school year. The district employed 263 full-time and 131 part-time employees at June 30, 2011.

The Mexico 59 School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

School Board

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 30, 2011, were:

Dr. Peter D. Perll, President
Beverly D. Borgeson, Vice-President
Beverly MacFarlane, Treasurer
Dr. M. Elwood Rice, Member
Robby Miller, Member
Patrick Maguire, Member
Dustin C. Pascoe, Member

Superintendent

The district's superintendent at June 30, 2011, was Tina Woolsey and her annual compensation was \$99,250. The superintendent's compensation is established by the school board.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to district personnel, the district was awarded and spent the following American Recovery and Reinvestment Act of 2009 funding from the U. S. Department of Education during the year ended June 30, 2011, which was mostly used for teacher salaries.



Mexico 59 School District
Organization and Statistical Information

Program	Amount	Number of teachers
Title I Grants to Local Educational Agencies	\$ 263,672	10
Special Education - Grants to States	96,620	4
Special Education - Preschool Grants	13,567	0
State Fiscal Stabilization Fund - Education	286,104	9
State Grants		
State Fiscal Stabilization Fund - Governmental Services	174,920	6
Education Jobs Fund - Classroom Trust Fund	61,547	3
Education Jobs Fund - Federal Budget Stabilization Fund	167,824	6
Education Jobs Fund - State Schools Fund	261,101	10
Education for Homeless Children and Youth	1,455	0

The district will need to secure alternative funding sources to ensure the sustainability of most of the jobs funded by these awards.