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Missouri State Auditor

Ash Grove R-IV School District



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CITIZENS SUMMARY

Findings in the audit of the Ash Grove R-IV School District

Accounting Controls over Cash Receipts and Change Funds

The district needs to improve its handling of receipts and change funds, a large portion of which are received in cash. The district has not adequately segregated duties. Staff do not properly record all monies received, timely transmit or deposit monies collected, indicate the composition of receipts and maintain copies of receipt slips, and sometimes use monies on hand to pay expenses without obtaining adequate documentation. In addition, the district does not maintain inventory records for concession items. Monies are not always kept in a secured location; auditors found \$462 in cash student activity fees in unlocked desk drawers and file cabinets in classrooms and \$3,256 in cash in an office closet to which all employees have access. The district does not account for tokens and meal cards or reconcile tokens and meal cards to the monies collected. Each school maintains various change funds, but the district does not include any of this money in its accounting records.

District Compensation

The district lacks adequate procedures for approving employment contracts and does not prepare employment contracts or separately approve salary schedules for tenured teachers. The district gives the Superintendent an annual in-district mileage allowance of \$1,500, but has not documented the basis for this additional compensation and did not report it as taxable income. The district did not report on W-2 forms additional compensation paid to the Superintendent for driving a bus to athletic events, additional compensation paid to employees for working the gate at athletic events, additional compensation paid to 3 teachers for awards, and the value of commuting miles for the maintenance/bus mechanic. The district paid \$51,000 in step-ladder payments to 43 teachers but lacks adequate policies and procedures to administer the program properly.

Payroll Procedures, Records, and Policies

The district has not established adequate segregation of duties or supervision over payroll functions. Some employees do not prepare timesheets, timecards, and leave requests, and some employees have been allowed to carry negative leave balances. No review of time and leave records prepared by the district bookkeeper is performed, and the district bookkeeper did not properly track hours worked by retired employees. The district does not maintain a list of related employees and Board members, and it lacks adequate policies and procedures regarding the hiring, supervising, and tracking of related employees.

Bond Refinancing, Procurement Procedures, and Construction Projects

The district sold general obligation bonds through a negotiated rather than a competitive sale and did not select the bond underwriter competitively. The district did not always follow its own bidding policy, and has not established policies for the selection of some vendors providing professional services. The Board did not evaluate three construction management firms before contracting with a company for a project begun in 2012 and does not properly monitor construction projects.

Disbursements	The district does not adequately segregate accounting duties over disbursements, and the list of bills approved by the Board each month is incomplete. The district paid \$10,610 to a local hardware business owned by Board President Renshaw for purchases made without soliciting bids. The administrative office made numerous disbursements totaling \$19,259 from a petty cash bank account which the School Board did not know existed, and the district lacks a formal purchase order policy. The district vendor list contained numerous errors; the district lacks formal policies for employee reimbursements, local meal purchases, and gifts/awards; and the district did not always enter into written contracts or effectively monitor contracts.
Budget Monitoring and Accounting Records and Controls	The district does not maintain complete and accurate information in its accounting system, and the Board does not adequately monitor budget to actual receipts and disbursements. The Secretary to the School Board is able to post adjustments to the accounting system without independent approval, and electronic signatures of the School Board President and Treasurer are not adequately safeguarded.
Attendance Reporting and Computer Controls	The district's attendance system does not adequately track some changes or limit the time frame for making changes. Changes are not reviewed, and audit staff found some inaccuracies. The district has not adequately restricted access to computer systems and has not established security controls to shut down computers after a period of inactivity and detect or prevent incorrect login attempts.
School Board Procedures and Minutes	The School Board reorganized its two elementary schools without thoroughly performing or documenting a cost-benefit analysis and did not track actual costs/benefits. The School Board did not always comply with the Sunshine Law and did not always maintain complete and accurate minutes. District policies are not complete, accurate, up to date, or adequately communicated to district employees.
Capital Assets and Fuel Usage	The district does not maintain a detailed record of district property and has not performed inventories of capital assets held outside of classrooms. The capital asset listings did not include 12 pieces of equipment valued at \$56,000, and do not include all necessary information. The district does not maintain fuel and mileage logs and does not reconcile fuel purchased to fuel used.

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

*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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THOMAS A. SCHWEICH

Missouri State Auditor

To the Board of Education
Ash Grove R-IV School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Ash Grove R-IV School District. We have audited certain operations of the district in fulfillment of our duties. The district engaged Davis, Lynn & Moots P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the years ended June 30, 2013, and 2012. To minimize duplication of effort, we reviewed the audit reports for the year ended June 30, 2013, and 2012, and the substantiating working papers of the CPA firm for the year ended June 30, 2012, audit. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2013. 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; 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, grant agreement, 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) 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 Ash Grove R-IV School District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Ash Grove R-IV School District

Management Advisory Report

State Auditor's Findings

1. Accounting Controls over Cash Receipts and Change Funds

Significant improvements are needed in the handling of student activity, athletic, meal, before and after school program, vending, concession, and library fine receipts, and change funds. These types of receipts are at greater risk since a large portion is received in cash, and there are numerous collection points throughout the schools with a variety of handling and record-keeping methods. Also, written guidance for standard money handling procedures needs improvement. As a result of numerous control weaknesses, there is less assurance all district monies have been handled and accounted for properly.

On March 28, 2013, we observed and reviewed procedures and conducted cash counts of monies on hand at various collection points throughout the district totaling \$15,317 (\$10,348 cash and \$4,969 checks/money orders). The collection points reviewed included the administrative office; the junior high/high school office, classrooms, library, and track concession stand; and the Ash Grove elementary office.

The chart below summarizes the amounts and types of monies collected during the 2012-2013 school year, for those areas subject to our review.

Type of Receipt	Amount
Student activity	\$109,769
Athletic	98,980
Meal	78,372
Before and after school program	39,454
Vending	11,141
Concessions	4,757
Library fines	675

This information was obtained from district accounting records.

1.1 Segregation of duties

The district has not adequately segregated duties of receiving, recording, and depositing or transmitting monies at the three schools or the administrative office, and documented supervisory or independent reviews of the accounting records are not performed. Secretaries at the three schools and the Secretary to the School Board at the administrative office receive monies, and prepare and make transmittals or deposits. 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, periodic supervisory or independent reviews of the records should be performed and documented.

1.2 Receipting, recording, depositing, and transmitting procedures

The School Board has not established written policies that address the types of records to be maintained and the accounting procedures to be followed by employees for the collection of district monies. We noted several concerns regarding receipting and recording procedures, and identified numerous instances where staff did not transmit or deposit receipts timely and intact.



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- The administrative office and schools do not have adequate procedures in place to properly record all monies received. Additionally, some district receipts are handled by several employees before deposit and there is not always adequate documentation to support the transmittal of monies from one district employee to another. Junior high/high school teachers did not always issue receipt slips for student activity monies collected. School secretaries at the three schools did not issue receipt slips for monies collected from students, parents, and teachers (who transmit monies collected from students). The district bookkeeper and Secretary to the School Board did not issue receipt slips for some monies collected in the administrative office or from school secretaries (who transmit monies collected at each of the three schools).
- District personnel use generic rediform manual receipt slips for some monies received. Receipt slips do not always indicate the composition of receipts (i.e. cash, check, or money order), and the district does not reconcile the method of payment on the receipt slips to the composition of receipts recorded in the accounting system or to the deposit or transmittal. In addition, original copies of some voided receipt slips were not retained.
- A cash count conducted of monies on hand in the administrative office on March 28, 2013, identified eight checks, totaling \$1,680, dated between January 22, 2013, and March 14, 2013, for which receipt slips were not issued or otherwise recorded. These monies were not deposited until April 16, 2013. In addition, a \$120 check for track entry fees, dated March 14, 2013, was held, not recorded or deposited, and was returned to the payee sometime around April 15, 2013, after the Secretary to the School Board determined the payee had overpaid.
- Teachers and school secretaries do not always transmit monies collected to the administrative office in a timely manner. For example, \$227 cash was counted on March 28, 2013, in student activity and athletic fees, and was still being held in the junior high/high school office on June 5, 2013, because the responsible sponsors had not instructed the school secretary to transmit these monies.
- Teachers sometimes used student activity fees to pay expenses of events rather than the fees being transmitted to the school secretary for deposit. For example, teachers indicated student activity fees of \$40 were paid to a student who painted a mural, and another \$40 was used to purchase two \$20 gift cards provided to judges for high school cheerleading try-outs. We noted numerous other instances where staff did not transmit student activity fees intact and timely.
- One teacher borrowed monies from district receipts located in the junior high/high school office. During a count of lunch monies, a collection box included an undated IOU signed by a teacher for \$10.



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- Cash received at the junior high/high school office for caps, gowns and other graduation items ordered by students totaling \$446 was paid directly to a vendor without documentation of transmittal.
- The district does not require inventory records of concession items purchased, sold, and on hand to be maintained, and reconciled to concession monies collected. During a cash count conducted of track concessions on March 28, 2013, approximately \$1,300 was on hand from concession sales.

To provide guidance to district employees and improve accountability over monies collected, the district should establish written policies for the collection and processing of monies. To properly account for all receipts and ensure monies are accounted for properly and deposited, official prenumbered receipt slips should be issued in numerical order for all monies received, and the method of payment should be recorded on each receipt slip and reconciled to the composition of receipts recorded in the accounting system and deposits or transmittals. The failure to transmit and deposit monies intact and timely and properly document such procedures increases the risk of theft or misuse of funds.

1.3 Security of monies

Monies collected are not always maintained in a secure location, and the district has numerous cash collection points throughout the schools. We noted numerous instances where teachers stored student activity monies in unlocked desks and file cabinets in classrooms at the junior high/high school. At the time of our cash count, student activity fees of \$558 (\$462 cash and \$96 check) were on hand in classrooms. Teachers are also allowed to store monies in a closet in the junior high/high school office, which is accessible to all employees of that school during the school day, and these monies are not tracked or accounted for by the school's secretary. At the time of our cash count, this closet held cash totaling \$3,256. Since most teachers failed to issue receipt slips or otherwise account for the receipt of monies, as discussed above, we could not determine how long these monies had been held or who had paid the monies. In addition, checks received are not always restrictively endorsed immediately upon receipt.

To safeguard against possible loss or misuse of funds and to ensure receipts are properly handled, receipts should be maintained in a secure location until deposited, checks and money orders should be restrictively endorsed immediately upon receipt, and the district should review collection procedures at all locations.

1.4 Meal collections

The district does not account for tokens and meal cards or perform a reconciliation of the tokens and meal cards to the related monies collected.

- The junior high/high school secretary does not maintain a daily collection log to account for meals purchased by students, and the



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district has not established procedures to account for tokens and meal cards used by students to obtain meals. The junior high/high school secretary collects meal monies from students and issues student meal tokens (one token equals one meal and tokens are different colors for full price, reduced, or free meals) or cards (one card equals five meals). The cards are punched by the contracted meal service cashiers for each meal consumed by the student. If multiple cards are purchased, the secretary issues the current week's card and keeps the remaining cards identified by student in the meal collection box with a note indicating how many cards were purchased and when each card was issued to the student; however, these notes are thrown away once all cards are issued.

- The junior high/high school secretary prepares a weekly meal report; however, it is not complete. The meal report only includes full and reduced price lunches served and charged, but does not include free lunches served, a la carte meal items served, or any dollar amounts collected. As a result, the report cannot be utilized to reconcile to vendor billings for meals and a la carte items served, or to meal collections and monies deposited. Additional monies for a la carte meal items are collected in the cafeteria by contracted meal service cashiers. Monies and tokens collected in the cafeteria are transmitted to the junior high/high school office daily, along with a cash register tape, which records meal, milk, and a la carte collections in the cafeteria. The junior high/high school secretary transmits monies to the Secretary of the School Board for deposit. No meal collection report is prepared to support the transmittal. A contracted meal service employee prepares a monthly report of meals served based upon meal counts for the administrative office.
- Elementary teachers do not use a consistent form of recording student meal collections, and the elementary secretaries do not maintain a complete and accurate daily collection log. Elementary teachers collect meal monies from students and transmit those monies daily (often by a student) to the elementary secretaries, who then transmit those monies to the administrative office for deposit. Some teachers document the amount of meal monies collected from students on attendance sheets, and others do not. The elementary secretaries prepare a monthly report of meals served and collection log for the administrative office; however, the collection log is not accurate. A secretary indicated she records all meal monies received in the adult meal column until it matches adult meals served (even though some teachers charge meals) and then applies the remaining monies on hand to the student meal collections.
- Meal collections are not always transmitted to the administrative office on a timely basis. Our review of deposits indicates the junior high/high



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school and Ash Grove elementary school transmit meal collections to the administrative office once a week, and the Bois D'Arc elementary school transmits meal collections once every 2 weeks.

- Due to the lack of records maintained by the junior high/high school and elementary offices, the district does not have an adequate system to track meal accounts receivables or payables. A reconciliation of meals served to meals purchased, charged, and any meal monies on hand is not performed.

Using district records of meals served during the 2012-2013 school year, we determined the total amount each school should have collected and compared that information to district records of total meal collections deposited in the table below:

	Bois D'Arc Elementary	Ash Grove Elementary	Junior High/High School
Estimated meal collections	\$ 22,160	25,106	30,726
Meal collections deposited	21,234	23,698	32,146
Deposits over (under) collections	\$ (926)	(1,408)	1,420

The school secretaries indicated the discrepancies identified and totaling \$2,334 at the elementary schools are likely outstanding charges; however, limited documentation exists to identify which students and/or employees may owe these charges. A plausible explanation for the \$1,420 discrepancy identified at the high school cannot be determined due to the poor records maintained.

To ensure proper accountability over student meal collections and reduce the potential for loss, theft, or misuse of funds, meal collections should be recorded on a daily log and reconciled to deposits. Any differences should be investigated and resolved. Transmittals should be made timely, and checks and money orders should be restrictively endorsed immediately upon receipt. Further, an adequate system for tracking meals purchased, charged, served, and any meal monies on hand should be established.

1.5 Change funds

Controls over district change funds need improvement. Each school office maintains various change funds for transactions such as making change for students for vending machines, meal tokens or cards, etc. Other change funds are issued temporarily to district personnel for use during sporting events and student activities.

The district does not have a list of approved change funds and the authorized balances, or a written policy regarding change funds. Some change funds are not maintained at a constant amount, some schools



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occasionally hold monies out of district receipts to make change, and one teacher indicated he used personal monies to make a change fund for student activities collected in his classroom. Adequate documentation of change funds given to/returned by district personnel for sporting events or student activities is also not maintained.

During our cash counts at various schools and in the administrative office, we identified 12 change funds totaling \$2,159. The district's accounting records did not include any of this money.

Written policies should be established outlining the procedures for maintaining, using, and accounting for change funds. The district should also maintain a list of all authorized change funds and amounts, and account for these monies as cash on hand in the district's accounting records. In addition, to safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at a constant amount. Periodically, the funds should be counted and reconciled to the authorized balance by an independent person.

Recommendations

The School Board:

- 1.1 Segregate accounting duties to the extent possible and ensure periodic supervisory or independent reviews are performed and documented.
- 1.2 Establish written policies to address the types of records to be maintained and procedures to be followed for the collection of district monies and monitor controls and procedures in all district schools and the administrative office. In addition, the Board should ensure transmittals of monies between employees are documented, checks are issued for purchases, and amounts collected for concessions are periodically reconciled to changes in concession inventory.
- 1.3 Maintain monies collected in a secure location, restrictively endorse checks and money orders immediately upon receipt, and consider establishing centralized collections points.
- 1.4 Ensure adequate controls, procedures, and records are established to properly account for meal collections at each school.
- 1.5 Establish written procedures governing the accounting for change funds. Also, the School Board should maintain a list of each change fund and the authorized balance of each fund, and record the cash on hand in the accounting system. In addition, the School Board



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should ensure the change funds are periodically counted and reconciled to the authorized balance by an independent person.

Auditee's Responses

The School Board provided the following written responses:

- 1.1 *As has been noted in our yearly audit for many years, segregation of duties has been an on-going challenge due to the lack of personnel to actually do the work. To meet this challenge, secretaries at each location now count the money and receipt it. The money is then taken to the main office where the money is counted again by a different person and receipted once again by another secretary. The Superintendent then makes all deposits to the bank. This segregates the duties and provides a clear transaction and audit trail through receipts and deposits. This practice started in the second semester of the 2013-2014 school year. This procedure will be written in all applicable handbooks so every employee will know what is expected.*
- 1.2 *The district purchased official stamps for each organization in the school district that typically receives money. These stamps are now used to create official and unique receipts whenever monetary transactions take place. Procedures have been put in place so money received by an organization is deposited and receipted with the appropriate office on the day it is received. Money received from clubs and other organizations are not left in classrooms overnight. Deposits are made to the main office on the day that the money is received by the school office. Documentation in the form of identifiable receipt trails are now in place from the time that the money is received by a teacher, deposited with the school office, transferred to the main office, and deposited at the bank. All money collected is deposited with the main office. If expenses need to be paid, they are paid through the main office, not by using collected fees. IOU's are not accepted. Concession inventories will be maintained and reconciled at the end of each sport season to ensure that all sales revenue matches receipts and profits. These procedures will be written in all applicable handbooks so every employee will know what is expected.*
- 1.3 *All money received by individuals in each school are receipted and deposited with the appropriate school secretary on the day they are received. No money is to be kept in classrooms. Checks received are to be stamped by the school secretary upon receipt and deposited with the main office where another receipt will be made after counting the money for deposit at the bank. A centralized collection point in each building has been established as the school office. The school is purchasing lockable deposit bags to secure all money*



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between monetary transactions and deposit. Only administrators and office staff have access to the school safes.

- 1.4 *The district no longer uses a meal card or token system for meals. Each school has gone to a comprehensive computerized system where money is pre-loaded into a student's meal account. No money is transacted in any cafeteria. All monetary transactions take place in the office (the centralized collection point) or on-line with parents loading money to a PayPal account. Each student's finger is scanned in the cafeteria after the student has received his/her food. The program automatically identifies the student and charges the student's account for the appropriate price of the food selected. The names of students, who qualify for free or reduced meals, are pre-loaded in the computer program—nothing different takes place for these students than for any other student. The new computerized system provides for automatic and comprehensive information for accounts receivable and payable information. This system was put in place at the start of the 2013-2014 school year. All meal counts with our contracted food service provider are now tied directly to the computerized food management system so there are no longer any discrepancies between meal counts and what is billed by the provider.*
- 1.5 *All cash boxes have been combined into a single change fund in each school office with a set amount in each fund. Each change fund will appear on the school's general ledger and will be counted and reconciled periodically by an administrator. This procedure will be written in all applicable handbooks so every employee will know what is expected.*

2. District Compensation

The district needs to improve its employment contract and additional compensation documentation and reporting procedures. In addition, the district needs to improve policies and documentation for the step-ladder compensation program.

2.1 Employment contracts and stipends

The district does not have adequate procedures for approving employment contracts, and does not prepare employment contracts or separately approve salary schedules for tenured teachers. Contract amendments contained errors and were not properly approved and signed, and district procedures for stipends are informal.

- The School Board does not review or approve non-tenured or administrative employees' employment contracts. These employment contracts are prepared and signed by the Secretary to the School Board. The Secretary to the School Board applies the Board President's electronic signature to the contract (see MAR finding number 6.3), and



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a subsequent review of the contract is not performed by the Board President or the School Board. Additionally, in some instances, these employment contracts were only signed by the Secretary to the School Board and the employee.

- Salary schedules for tenured teachers (who do not have employment contracts) are not separately approved by the School Board. As a result, the School Board approves compensation of tenured teachers through adoption of the district's annual budget, and three Board members approved compensation of relatives in this manner. Board President Renshaw approved compensation to his wife totaling \$41,770 during the 2012-2013 school year. Board member Keith approved compensation to his wife totaling \$35,280 during the 2012-2013 school year. Board member Reece approved compensation to her husband totaling \$34,110 and to her sister-in-law totaling \$42,160 during the 2012-2013 school year. To avoid the appearance of a conflict of interest, the School Board should reconsider the method used to approve tenured teachers' salaries.
- The Secretary to the School Board prepares contract amendments that are not always mathematically correct, are not signed by the employee, and are not reviewed or signed by the Board or the Superintendent. For example, the Superintendent's contract amendment for the 2012-2013 school year incorrectly reported total salary, stipends, and benefits of \$116,643, but individual amounts reported in the contract amendment totaled to \$121,124 (the actual amount the Superintendent was compensated), resulting in a difference of \$4,481 in overall compensation. The contract amendment was also not signed by either the Superintendent (employee) or a member of the School Board. Employment contracts are typically amended annually for the upcoming school year, and the contract amendment serves as the new employment contract. After approval of the district budget in July of each year, the Secretary to the School Board prepares and mails or e-mails contract amendments to employees documenting their salary, stipend and benefit amounts for the upcoming year.
- The school district has not established adequate policies and procedures regarding stipends. The district does not prepare extra duty contracts, defining job duties or additional responsibilities performed for stipends paid. The school district paid approximately \$127,000 in stipends to 75 district employees for the 2012-2013 school year. District personnel indicated stipends are paid for services rendered beyond the employee's contractual obligations or normal job responsibilities.

Formal written employment contracts and contract amendments, which clearly define all contractual terms, are necessary to ensure all parties are



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aware of their duties and responsibilities, and to prevent misunderstandings. Contracts and amendments should be reviewed for accuracy and signed by all parties. Further, adequate policies and procedures regarding stipends and preparation of extra duty contracts that specify stipend amounts and related duties are needed to adequately support such payments and clarify the process.

2.2 Additional compensation The school district has no basis for the Superintendent's mileage allowance and did not always report extra compensation to employees or subject the payments to payroll tax withholdings as required.

- The district has not documented its basis for determining the Superintendent's annual in-district mileage allowance totaling \$1,500, and the payments were not reported as taxable income. Using the district's current reimbursement rate of 40 cents per mile, the mileage allowance paid represents 3,750 in-district miles per year. In addition to the in-district mileage allowance, the district reimbursed the Superintendent \$1,968 for 4,922 documented miles driven outside of the district during the 2012-2013 school year.

The Internal Revenue Service (IRS) specifically requires expenses not accounted for to the employer (in-district mileage) to be considered as gross income and payroll taxes to be withheld from the undocumented payments. In addition, the district should periodically review the reasonableness of the mileage allowance paid and, if necessary, adjust allowances to reasonably reflect the actual expenses incurred by the Superintendent.

- The district allows the maintenance/bus mechanic to use a district vehicle to commute to/from work, and does not properly report the value of commuting miles as compensation. The maintenance/bus mechanic commutes an estimated 2,100 miles annually. IRS regulations require employers to withhold payroll taxes and include the value of personal automobile (commuting) use in taxable income.
- The district did not report additional compensation totaling \$251 paid to the Superintendent for driving a bus to athletic events on his W-2 form and did not withhold payroll taxes.
- The district did not report additional compensation (awards) paid to 3 teachers totaling \$1,860 (\$620 each) during the 2012-2013 school year on their W-2 forms and did not withhold payroll taxes.
- The district did not report additional compensation paid to several employees totaling \$2,650 for working the gate at athletic events during



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the 2012-2013 school year on their W-2 forms and did not withhold payroll taxes.

IRS regulations require wages paid to employees be subject to payroll tax and reported on W-2 forms.

2.3 Step-ladder program

The district has not established adequate policies and procedures for the step-ladder program, which gives compensation to teachers who provide student services and assistance beyond the traditional teaching responsibilities. The district paid approximately \$51,000 in step-ladder payments to 43 teachers for the 2012-2013 school year.

- The School Board had not approved a step-ladder plan in accordance with board policy prior to disbursing step-ladder payments in May 2013. The step-ladder committee prepared and used a summary plan during an evaluation of step-ladder applications during the 2012-2013 school year; however, we found no documentation this summary plan or other step-ladder plans had been approved by the Board for the 2012-2013 school year.

Board policy also provides for the Superintendent to revise the step-ladder program plan when state funding for the program is cut or eliminated and to present the plan to the Board for approval. State funding for the program has not been available since the 2010-2011 school year. The district has used local funding for the program in subsequent years.

- Clear and consistent criteria have not been established to evaluate how compensation under the step-ladder program is earned. According to the 2012-2013 junior high/high school teacher handbook, employees must serve a total of 60, 90, or 120 hours for stages I, II, or III compensation, respectively, and performance evaluations must be considered in conjunction with hours completed. However, the step-ladder summary plan prepared and used by the step-ladder committee during the 2012-2013 school year stated only 16, 32 or 60 hours are required for stages I, II, or III compensation, respectively, and did not indicate whether performance evaluations would be considered by the committee. The Superintendent appointed a step-ladder committee of 4 teachers to develop plans, review participating teachers' step-ladder activity lists (allowable activities the teacher plans to complete) and logs (used to document the activity and number of hours worked in that activity for the school year), and approve a final review sheet (documents the teacher's name, stage, total hours documented on the logs, date, signature of the teacher, and approval of the committee and building principal) for all participants for the 2012-2013 school year.



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- Some step-ladder logs reviewed reported activities that did not meet the criteria established by the step-ladder committee. For example, a participant claimed hours worked for a student activity that was already compensated through a stipend; another participant claimed hours worked for a student activity "in lieu of being paid a stipend" because the step-ladder compensation (\$1,500) was greater than the stipend offered (approximately \$350); and another participant claimed hours worked for passing out snacks during standardized testing periods and moving a classroom that were not on the district's approved activity list, and hours served in May 2012, when the school year did not begin until July 1, 2012.

According to a summary plan prepared by the step-ladder committee (not approved by the Board at the time of our review), a participant cannot claim hours worked for an activity that is compensated through a stipend, not included on the approved activity list, or not completed during the 2012-2013 school year.

- Principals did not always require participants to submit step-ladder logs for review in conjunction with the final review sheet.
- Step-ladder committee member discussions with participants regarding variances between allowable step-ladder activities and step-ladder plans and related decisions were not documented.
- The step-ladder committee provided the district bookkeeper incorrect payment information, and as a result, the district over-compensated eight participants (\$4,500 in total) and paid compensation to five employees who were not participants in the program (\$2,800 in total). The district was notified of the error by one of the over-compensated participants, and the district subsequently corrected the payments.

Without clear, non-conflicting written guidance, the Board cannot ensure monies spent for the step-ladder program are used efficiently and participants are treated fairly and consistently. Guidance should include establishment of a written plan with criteria for hours required, allowable activities, and performance standards required to earn compensation under this program and should require submission of supporting documentation to those responsible for oversight and approval of payments.

Recommendations

The School Board:

- 2.1 Ensure employment contracts and amendments are reviewed for accuracy and are signed by either the Superintendent or a Board member and the employee. The School Board should reconsider its process of approving tenured teachers' salaries and establish



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adequate policies and procedures requiring extra duty contracts be prepared that specify the stipend amount and duties to be performed.

- 2.2 Ensure all compensation paid to employees and commuting use of district vehicles is subject to payroll taxes and properly reported on W-2 forms. The Board should also review the vehicle allowance paid to the Superintendent and set the allowance to reasonably reflect the actual expenses incurred.
- 2.3 Establish a clear and consistent step-ladder policy, require preparation of adequate supporting documentation to support decisions made and amounts paid, and ensure an adequate review is performed of all documentation.

Auditee's Response

The School Board provided the following written responses:

- 2.1 *The school district will ensure that all employment contracts and amendments are reviewed for accuracy and signed by either the Superintendent or a Board member and the employee. Besides approving the salary schedules and extra duty assignments in the budget as a whole, the School Board will also approve the teacher salary schedule for all certificated individuals except related parties. In a separate vote, the same salary schedule will be approved for those related-party individuals, and related parties on the Board will abstain from that vote. The same process will apply for approving extra-duty stipends.*
- 2.2 *All compensation paid to school employees is now done through payroll, where there had been some exceptions in the past paid through accounts payable. The in-district mileage allowance previously paid to the Superintendent will be eliminated from the Superintendent's contract and will be added to the Superintendent's base salary and paid through payroll. All employees will continue to be paid the Board-approved rate per mile for travel outside the district for school purposes when using a personal vehicle. When any employee is paid extra to drive a bus or perform duties outside the normal work day, that money will be paid through payroll as taxable income.*

The school district allowed its maintenance man to drive the maintenance van home each night because that van contained all of the maintenance man's personal tools that would have been unavailable to him had the van been parked at school each night. The school never provided the maintenance man with compensation



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for the use of his personal tools. That maintenance man no longer works for the school and the van is parked at school each night.

- 2.3 *New procedures and policies relating to the step-ladder program were Board approved in March of 2014. These procedures are being put into place to provide for more oversight of the step-ladder program. The step-ladder program guidelines will be Board-approved each year. These procedures will require oversight and approval of all step-ladder approved activities and logs by a committee, an administrator, and ultimately the Board of Education. This procedure will be written in all applicable handbooks so every employee will know what is expected. No teacher will be allowed to forego receiving an extra-duty "stipend" in order to count those normally allowable hours to be counted towards their step-ladder hours.*

3. Payroll Procedures, Records, and Policies

Significant improvement is needed related to payroll procedures, records, and policies.

3.1 Payroll procedures

The district has not established adequate segregation of duties or supervision over the payroll functions, and various district personnel do not perform sufficient reviews of time records. Errors were noted with some time and leave records, and some employees were allowed to carry negative compensatory (overtime) leave balances.

- The district bookkeeper is primarily responsible for all payroll functions including preparing time records for bus drivers, receiving time records (time cards, timesheets, and leave requests) prepared by other employees, entering time and leave data into the payroll system, preparation and disbursement of checks, authorizing direct deposits into employees' accounts, and distribution of employee W-2 forms. In addition, the Superintendent's review of direct deposits is not adequately documented and payroll checks issued are not reviewed by the Superintendent.

Errors went undetected because no one performed a review of time and leave records prepared by the district bookkeeper. For example, bus driver substitute usage reports documented a bus driver was sick; however, the use of sick leave was not documented on the leave records maintained by the district bookkeeper. In two other examples, the district bookkeeper did not correctly calculate payroll disbursements to substitute teachers.



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- Some employees, including the Superintendent and principals, do not prepare timesheets, timecards, and leave requests. For these employees, the district bookkeeper enters data into the payroll system without documentation of time worked or leave taken. As a result, any adjustments needed to regular pay amounts are not made and there is less assurance leave records are accurate. Other district employees prepare timesheets, timecards, and leave requests; however, these documents are not always signed by the employees or their supervisor to document approval of time worked and leave used.
- The district has allowed some employees to carry negative leave balances. A review of 13 employees' compensatory records showed 5 employees were carrying negative compensatory leave balances at various times during the 2012-2013 school year and 2 of these 5 employees carried negative leave balances over from the previous year. Had these employees terminated employment, the district would have paid them for hours not worked. A review of time records by the district bookkeeper and/or supervisors would likely have detected these errors.

Proper segregation of duties and independent reviews of payroll transactions and records would help ensure all payroll transactions are accounted for properly and assets are adequately safeguarded. Without a review of payroll documentation, errors, theft, or misuse of district resources could go undetected. Signed and approved time records are necessary to document hours worked, substantiate payroll disbursements, provide the district with a method to monitor hours worked and leave taken, and are beneficial in demonstrating compliance with Fair Labor Standards Act of 1938 (FLSA) requirements.

3.2 Post-retirement employees

The district bookkeeper did not properly track hours worked by employees retired under the Public School Retirement System (PSRS) and Public Education Employee Retirement System (PEERS). As a result, payroll records do not reflect instances when a retired employee exceeded the 550 hour limit. The district is required to report gross pay and actual hours worked to the retirement systems to ensure the limits are not exceeded.

Per Section 169.560, RSMo, a teacher or school employee retired and currently receiving a retirement allowance may be employed in any capacity in a school district on either a part-time or temporary-substitute basis not to exceed a total of 550 hours in any one school year, and through such employment may earn up to 50 percent of the annual compensation payable under the employing district's salary schedule for the position or positions filled by the retiree, given such person's level of experience and education, without a discontinuance of the person's retirement allowance.



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- The district bookkeeper stopped recording her actual hours worked on the district's post-retirement log once she neared the 550 hour limit and did not report hours worked in excess of the 550 hour maximum in the 2012-2013 school year to the retirement systems. Timesheets from July 2012 to May 2013 indicated the district bookkeeper worked 606 hours.

In addition, the district bookkeeper did not maintain a timesheet for June 2013; however, the district paid her normal monthly salary amount, and she performed the same duties in June 2013, as she had performed during the remainder of the school year. The district bookkeeper indicated she discontinued maintaining a timesheet in June 2013, because she was volunteering her time to the district. According to the retirement systems' guidance,¹ volunteering is defined as work performed for which no compensation is received and with duties that are substantially different from any paid work you may perform for the same employer.

- Instead of tracking and recording actual hours worked each day by post-retirement employees, the district recorded 2 hours worked for all bus drivers and 6 hours worked for all teachers per day on the post-retirement log. According to the retirement systems' guidance,² employees are required to count all time necessary to complete the requirements of the position worked, including planning periods, lunch breaks (if employee must remain at the school), time grading papers, and time supervising students between events or when traveling.

For example, a post-retirement teacher recorded actual time worked on monthly time sheets as required by the retirement systems; however, in May 2013, the teacher indicated she was instructed by the district bookkeeper to revise her monthly timesheets for September 2012 to April 2013, and report only 6 hours worked per school day, instead of the actual number of hours worked. The initial time sheets prepared by the teacher for September 2012 to April 2013, indicated the teacher actually worked 552.5 hours. The teacher indicated she did not record actual hours worked on the May 2013 timesheet. Due to these discrepancies in the payroll records reviewed, the district bookkeeper

¹ *Working After Retirement*, Public School Retirement System of Missouri, p. 3, <<https://www.psr-s-peers.org/psrs/Publications.html>>, accessed January 29, 2014. *Working After Retirement*, Public Education Employee Retirement System of Missouri, p. 3, <<https://www.psr-s-peers.org/peers/Publications.html>>, accessed April 15, 2014.

² *Working After Retirement*, Public School Retirement System of Missouri, p. 8, <<https://www.psr-s-peers.org/psrs/Publications.html>>, accessed January 29, 2014. *Working After Retirement*, Public Education Employee Retirement System of Missouri, p. 7, <<https://www.psr-s-peers.org/peers/Publications.html>>, accessed April 15, 2014.



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may not have reported hours worked in excess of the 550 hour maximum by this teacher to the retirement systems.

Another post-retirement employee worked as a bus driver and mowed school grounds during the 2012-2013 school year. The district bookkeeper only recorded 2 hours worked per day as a bus driver on the post-retirement log, which totaled 543 hours, and did not include the 155 hours worked by the employee mowing school grounds during the 2012-2013 school year. Due to these discrepancies in the payroll records reviewed, the district bookkeeper may not have reported the hours worked in excess of the 550 hour maximum (148 hours) by this employee to the retirement systems.

- The district did not require at least 3 post-retirement employees to document hours worked, and as a result, could not monitor the 550 hour requirement. According to the retirement systems' guidance,³ employers are required to maintain records to track hours worked and wages earned for each retiree hired.

The retirement systems require employers to track retiree hours and salary to ensure compliance with state law. The retirement systems can request to review records and if limits are exceeded a person's retirement benefits can be put on hold.

3.3 Related employees

A list of related employees and Board members is not maintained, and the district has not established adequate policies and procedures related to the hiring, supervising, or tracking of related employees. The absence of data on related employees and Board members weakens internal controls and may result in conflicting situations. Identifying and maintaining documentation of related employees is important to determine and monitor conflicting related party situations.

Recommendations

The School Board:

- 3.1 Adequately segregate payroll duties or ensure a periodic, documented review of these functions is performed by someone independent of the payroll functions. The Board should discontinue the practice of allowing employees to use unearned leave.

³ *Working After Retirement*, Public School Retirement System of Missouri, p. 4, <<https://www.psr-s-peers.org/psrs/Publications.html>>, accessed January 29, 2014. *Working After Retirement*, Public Education Employee Retirement System of Missouri, p. 3, <<https://www.psr-s-peers.org/peers/Publications.html>>, accessed April 15, 2014.



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- 3.2 Ensure post-retirement employees timesheets reflect actual time worked and gross pay and actual hours worked are reported to the retirement systems to ensure applicable limits are not exceeded.
- 3.3 Establish procedures to identify and monitor related employees, obtain related party information, verify information with each employee periodically, and ensure individuals are not working in conflicting employment capacities.

Auditee's Response

The School Board provided the following written responses:

- 3.1 *Two individuals now perform payroll duties to cross-check work performed. The Superintendent has checked and will continue to check all payroll direct deposits and the list of physical checks. The main secretary in each building will use a standardized leave request form for all employees working in that building, including administrators. No employee is allowed to carry negative comp-time leave. This practice was started during the second semester of the current school year.*
- 3.2 *All post-retirement employees are now required to submit a standardized monthly time log. This log verifies their hours worked each month and will ensure that no post-retirement employee works in excess of the allowable 550 hours each year. This practice was started in the second semester of the current school year. The school will communicate with the retirement system to discuss past hours worked by retired employees noted in the report.*
- 3.3 *A comprehensive list of related employees has been created and maintained to monitor conflicting related party situations. This list was formally created at the end of the 2012-2013 school year and has been maintained since that time.*

4. Bond Refinancing, Procurement Procedures, and Construction Projects

Bond refinancing, procurement, and construction project practices need improvement.

4.1 Bond refinancing

The school district sold general obligation refunding bonds totaling \$3,295,000 in January 2013 through a negotiated instead of a competitive sale. The district issued the bonds to refund bonds originally issued in 2009 for construction and remodeling of schools. The Board did not select the



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bond underwriter competitively and used an underwriter it was familiar with. Bonds were sold privately to the underwriter instead of seeking open bids which would ensure the most competitive rate of return for the taxpayers. The underwriter was paid \$46,135.

The State Auditor's office completed a statewide review of general obligations bond sales practices⁴ that determined negotiated bond sales historically result in increased interest costs. While Missouri law does not require competitive bond sales or competition in selecting bond underwriters, the historically lower interest costs on competitive sales suggest such sales to be in the best interest of the district.

4.2 Bidding

The district did not always follow its own bidding policy. Board policy requires employees to contact multiple vendors for purchases totaling less than \$3,000; competitively bid purchases of \$3,000 or more, and requires sealed bids for purchases of more than \$15,000. However, board policy does not address documentation required for sole source procurement or establish time frames for which threshold amounts will apply. Our review of select disbursements made during the 2012-2013 school year identified the district did not solicit bids in compliance with policy, document sole source procurement, or solicit bids when the district utilized the same vendor for multiple transactions within a short period of time and purchases exceeded the \$3,000 threshold.

Item or Service	Cost
Athletic supplies	\$20,312
Bus radios	20,299
Web hosting and e-mail services	17,089
Tablet computers	12,334
Food	9,279
Lawn mower	8,744
Copier	7,280
Automotive parts	6,614
Installation of smart boards	5,929
Intercom system	5,520
Fence	4,852

District personnel indicated the district purchased the bus radios and web-hosting and e-mail services from sole source vendors; however, this information was not documented. Also, the district made multiple purchases totaling more than the \$3,000 from a single vendor for both the food and fence purchases within a 90 day period without soliciting bids.

⁴ Report No. 2013-116, *General Obligation Bond Sales Practices*, issued in November 2013.



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Competitive bidding not only ensures the district is complying with board policy, but also helps ensure all parties are given an equal opportunity to participate in district business. Documentation of the selection process and criteria, including sole source procurement, should be retained to support purchasing decisions. Also, a more comprehensive procurement policy establishing time frames for which threshold amounts apply would provide a more effective framework for economic management of district resources.

4.3 Professional services

The district has not established policies for the selection of some vendors providing professional services. Additionally, the district did not solicit requests for proposals for several professional services, including speech therapy services totaling \$10,311, occupational therapy services totaling \$10,044, physical therapy services totaling \$8,064, athletic training services totaling \$4,650, and legal services totaling \$3,576.

The district did not competitively bid independent auditing services every 3 years as required by board policy, and paid \$12,700 for auditing services during the 2012-2013 school year. The district had not solicited proposals from various banking institutions in many years for the deposit of district monies in accordance with board policy.

The district also does not have a written agreement for the speech therapy services, athletic training services, and legal services.

Soliciting proposals for professional 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 to be in writing.

4.4 Construction management

The Board did not procure construction management services for a construction project begun in 2012 in compliance with a board policy that requires construction management services for projects expected to cost no more than \$500,000 to be selected in the same manner in which architects are selected, as provided for in Section 8.291, RSMo. That statute requires evaluation of three highly qualified firms; however, the district did not evaluate three firms. Instead, in November 2012 the district placed an advertisement in a local paper requesting bids for construction management services. The district received only one response and therefore evaluated and eventually hired this company. During the period April 2013 through August 2013, the district paid this company \$19,118 in construction management fees. In addition, the district also paid \$191,179 in construction costs to the company, for subsequent payment to subcontractors.



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To ensure compliance with board policy regarding construction management services, the district should follow the guidelines provided in Section 8.291, RSMo, for projects with an estimated project cost of less than \$500,000.

4.5 Monitoring of construction projects

The district does not properly monitor construction projects.

- Change orders were not always prepared by the district's construction management company and approved by the Board. For example, in July 2011, the Board approved a construction contract to build a new weight and locker room with budgeted project costs totaling \$302,910. After the construction management company received all bids from subcontractors, the cost of the project was reduced to \$282,882; however, no change order was prepared and presented to the Board for approval. In addition, change orders increasing construction costs totaling \$34,476 were also not prepared and presented to the Board for approval. The final project cost was \$317,358.
- The construction management company submitted payment applications to the district with incorrect amounts shown as the original contract amounts. District officials responsible for reviewing and approving payment applications did not identify the differences in the original contract amounts.
- The district paid the construction management company an additional \$7,573 as a performance bonus on this construction project without any documented evaluation criteria. The contract provided for payment of a performance bonus of 2.5 percent to be paid based upon criteria set forth by the School Board; however, the district failed to document the criteria used to evaluate the performance of the construction management company or properly calculate the amount of the performance bonus. The district calculated the bonus paid based upon the original contract amount of \$302,910.

To ensure the amounts paid are valid, appropriate, and represent the true cost of services, contracts should include specific criteria for the award of any performance bonuses, change orders should be prepared, submitted for review, and approved by the Board prior to the completion of the additional work, and payment applications should be reviewed for accuracy and in conjunction with construction project budgets and change orders.

Recommendations

The School Board:

- 4.1 Consider a competitive sale for future bond issuances.



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- 4.2 Solicit bids in compliance with board policy and amend the policy to add timeframes for bid thresholds. If sole source procurement is necessary, the district should retain documentation of these circumstances.
- 4.3 Periodically solicit proposals for professional and banking services, and enter into written agreements for professional services.
- 4.4 Ensure construction management services are solicited in compliance with board policy.
- 4.5 Ensure change orders are prepared and submitted for the Board's review and approval, payment applications are reviewed for accuracy, and the criteria to support performance bonus payments is documented.

Auditee's Response

The School Board provided the following written responses:

- 4.1 *Missouri law does not require competitive bidding of bond sales. The last bond refinancing that the school did was approved in November of 2012, while the sale itself took place in January of 2013. By refinancing at a lower interest rate at this time and using the company that we used, it saved the school district and its tax payers \$804,092 by reducing our average bond interest rate from 4.73% to 2.17% on \$3,295,000 of outstanding bonded debt. In the future, the school district will seek to pursue any sale of bonds using the mechanism deemed to be in the best interest of the school while complying with both state law and School Board policy.*
- 4.2 *The district has strived to seek competitive bids, but there were instances where multiple bids were not done or documented. The school district will seek competitive bids for supplies in excess of \$3,000. The district will revise its policies relating to competitive bidding to ensure that the policy and practices of the district match.*
- 4.3 *Following the audit, the district has solicited proposals for professional, banking, audit, and other professional services. The district now has multi-year contracts on file for professional services.*
- 4.4 *The school will strive to obtain multiple bids from various construction management firms if such services are needed in the future.*
- 4.5 *During the construction and remodeling phase of all projects, the School Board receives a personal update on financial information*



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from the construction manager each month. During the construction process, it is sometimes necessary for decisions impacting construction costs to be made so as to not impede the progress of the construction. All future change orders will be approved by the Superintendent and voted on by the Board at the next School Board meeting. The school will strive to ensure that all change orders and payment applications are reviewed for accuracy and all payments are documented appropriately. The performance bonus was awarded to the construction manager because of the additional duties and responsibilities necessary to complete the project in lieu of an architect. In the future, if a performance bonus is awarded, the duties and responsibilities will be outlined in the contract.

Auditor's Comment

- 4.1 The Board's response shows the importance of ensuring the lowest possible interest costs are obtained when bonds are issued. By utilizing a competitive sale on future general obligation bond sales, the Board can help ensure the district has obtained the lowest interest costs possible.

5. Disbursements

Improvement is needed with regard to the district's disbursement procedures and policies.

5.1 Segregation of duties and approval process

Accounting duties over disbursements are not adequately segregated, oversight by the Superintendent is not adequately documented, and the approval process for disbursements is not adequate.

Disbursement duties

The Secretary to the School Board performs most disbursement duties, including preparing her own expense reimbursement checks. The secretary is responsible for recording all disbursements in the accounting system, applying electronic signatures of Board members to checks issued from the operating bank account, printing and mailing checks, and preparing a disbursement report for the Board's review. A subsequent independent review of the use of the Board member's electronic signatures on checks from the operating account is also not completed. In addition, the secretary has signature authority on the remaining 12 bank accounts (other than the operating account) held by the district, and only one signature is required on these checks.

Approval process

The list of bills approved by the Board each month is not complete, and a comparison of the list to approved invoices and the actual checks written is not performed. The list of bills approved by the Board at each meeting does not include any payroll and debt service payments and some related fringe benefit payments. For example, the list of bills for September 2012 did not include payroll and benefit payments totaling \$206,187 or debt service payments totaling \$99,706, which together represent 51 percent of total disbursements for the month.



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Additionally, the Superintendent indicated he documents his review of disbursements by applying a highlighter mark across check stubs; however, the use of the highlighter does not document the date or by whom approved.

Proper segregation of duties and adequate oversight of accounting functions helps ensure all transactions are accounted for properly and assets are adequately safeguarded. To ensure disbursements are appropriate, the Board should require complete and accurate financial information be provided for its review and approval, and conduct an adequate review of the list of bills, invoices and checks written prior to checks being issued. The Superintendent should also better document his approval of invoices.

5.2 Conflict of interest

The district purchases supplies from a local hardware business owned by Board President Renshaw. During the year ended June 30, 2013, the district paid \$10,610 to this business without soliciting bids for these purchases. Board President Renshaw abstained from the approval of these payments; however, his signature appeared on 10 of 13 checks issued to the business. In addition, Board President Renshaw did not file a personal financial disclosure as required by board policy.

Board members of a district serve in a fiduciary capacity. Personal interests in business matters of the district could create actual and the appearance of conflicts of interest. In addition, Sections 105.454 and 105.458, RSMo, prohibit financial transactions between the district and elected officials that involve more than \$5,000 per annum, unless there has been public notice to solicit proposals and competitive bidding, provided the bid or offer accepted is the lowest received. Further, the Board's conflict of interest and financial disclosure policy and Section 105.483(4), RSMo, requires Board members to file personal financial disclosure statements to report "each transaction in excess of \$500 per year between the district and any business entity in which the individual has a substantial interest."

5.3 Petty cash bank account

The administrative office used a petty cash bank account to pay 61 disbursements totaling \$19,259 without School Board approval during the 2012-2013 school year. The School Board was unaware of this bank account and has not established formal policies for the use of the petty cash bank account. Adequate supporting documentation was not obtained for several of these disbursements, and the individual disbursements from the account were not recorded in the accounting system. According to the Secretary to the School Board, the district used the bank account for petty cash and emergency purchases, with monthly replenishment checks being issued from the district's general operating account; however, the use of the account has increased beyond these purposes.

All 61 checks for the petty cash account disbursements were signed by only 1 person (51 by the Secretary to the School Board, 6 by the Superintendent, and 4 by the district bookkeeper), although board policy states both the



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President and Treasurer of the Board shall sign all checks issued by the school district. In addition, 22 disbursements totaling \$7,914 had no supporting documentation, and 15 disbursements totaling \$5,111 had inadequate supporting documentation. For example, an invoice or other supporting documentation (other than a purchase order prepared by a teacher) was not retained by the district for lodging costs totaling \$2,496.

If a petty cash bank account is needed, the Board should establish formal petty cash bank account policies, including purchasing limits; and ensure only small and emergency expenditures are made from the account. To ensure payments are valid and proper, the Board should require adequate supporting documentation be maintained, require review and approval of petty cash account disbursements, and ensure board policy is followed.

5.4 Purchase orders

The district has not adopted a formal purchase order policy (other than the one outlined for teachers for the purchases of supplies, instructional materials, and equipment), and administrative staff did not always complete purchase orders as appropriate. In addition, purchase orders are not pre-numbered or accounted for properly and teachers did not complete them for several purchases we reviewed and often completed them following the purchase. Payment of invoices without a properly completed purchase order increases the risk of paying for goods or services not actually received.

5.5 Duplicate vendors

The district vendor list contained 39 duplicate vendor names, each with a separate vendor number. Additionally, the vendor list contained one vendor 10 times and did not include the address for 159 vendors, and 1 vendor was labeled "DO NOT USE." Better controls should be established to ensure only authentic vendors are entered in the payment system and all necessary vendor information such as an address is included. In addition, deleting duplicate vendor names and vendors the district does not intend to use would give the district better control over vendor information and result in a more efficient operation.

5.6 Employee reimbursements, local meal purchases, and gifts/awards

The district does not have formal written policies for employee reimbursements, local meal purchases, and gifts/awards. Some of these disbursements did not have a clear school district or educational purpose or were unsupported.

- The district reimbursed a post-retirement employee, who is employed by the district as a part-time Information Technology Director, \$1,123 in February 2013, for professional development travel costs. Costs reimbursed included mileage, lodging, airfare, and a cruise to Cozumel and Progreso, Mexico. During the cruise, the employee was to receive training titled "Wireless Without Limits." While the training may have been beneficial, the cruise and other expenses did not have a clear school district or educational purpose. In addition, the employee did not complete a professional development need assessment form as required



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by board policy. The Superintendent indicated he was unaware the costs of the professional development included a cruise when he approved the expense. Also, the district did not obtain a certificate of completion form or any other related documentation from the employee to document attendance at the training.

- The district reimbursed a teacher, who serves as the Future Farmers of America (FFA) sponsor and trap team coach, \$1,000 without obtaining supporting documentation (other than a cancelled check).

In September 2012, the teacher signed a letter of intent for a fundraising event offered by a not-for-profit (NFP) association for scholastic shooting sports. The NFP provided a tablet computer to be raffled, and the letter of intent indicated the teacher would raise and subsequently pay the NFP \$1,000 of related proceeds. Raffle ticket sales in December 2012 totaled only \$580, which was not sufficient to cover the amount stated on the letter of intent. On February 26, 2013, the teacher wrote a personal check for the entire \$1,000, because the NFP required payment by February 28, 2013, in order to provide matching funds. The district reimbursed the teacher the full \$1,000 in March 2013, resulting in a loss of \$420 to the trap team and the district. The Superintendent approved the reimbursement payment to the teacher, but could not provide an explanation for the purpose of this reimbursement.

It is unclear why the district paid more than the amount collected by fundraising to the NFP. Further, as part of the fundraising event, the NFP indicated it would match the district funds 6 to 1 and place the \$7,000 in an NFP escrow account for the trap team to apply towards equipment grants provided by the NFP; however, neither the teacher nor the district has applied for these grants or has documentation of amounts held in escrow by the NFP.

- Adequate supporting documentation was not always submitted to support purchases of local meal and food purchases or gifts and awards. We identified frequent purchases of meals or food by district employees at local restaurants or other vendors that lacked supporting documentation of these purchases, including individuals in attendance, the business purpose, or reason why food was necessary. In some instances, only a credit card charge slip was submitted rather than a detailed invoice or receipt slip. Further, the district purchased gift cards and other gifts or awards; however, documentation of the recipient and purpose of the gift or award was not maintained.

The lack of written policies (documenting the types of allowable expenses and any limits on them) and detailed supporting documentation makes it difficult for the district to ensure the propriety of payments made for



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employee reimbursements, meal or food purchases, and gifts or awards. District funds should be expended only on items that clearly benefit the school district.

5.7 Contracts

The district does not always monitor contracts effectively and does not always enter into written contracts defining services and benefits received.

- The district does not compare the number of meals served to the invoices provided by the food service vendor to ensure amounts paid are reasonable. For example, in November 2012, the district was billed for 874 adult meals; however, district records show only 562 adult meals served. The district paid the full invoice amount, including the 312 unsupported meals costing \$578. We also identified additional discrepancies, although not as significant, in other months that district staff did not evaluate. According to the Secretary to the School Board, the difference may be related to the free meals provided to some employees including herself, the district bookkeeper, school secretaries, and cooks. These free meals are not tracked. The district also has not established procedures to ensure amounts paid for a la carte sales are appropriate. The district paid \$1,565 to the food service vendor for a la carte sales during the 2012-2013 school year, but only recorded related collections of \$510 in the accounting system. The district paid this vendor approximately \$125,000 during the 2012-2013 school year.
- The district did not monitor rebates owed to the district. The district entered into a written franchise agreement in June 2010 with a beverage vendor, which required payment of a rebate to the district on a biannual basis. At the time of our review, district officials were unaware of this contract requirement and contacted the vendor to inquire about the rebates. In July 2013, the district received \$8,334 in rebates (from the inception of written agreement to June 2013) from this vendor.
- The district had not required two of three contracted therapists to submit current professional licenses and documentation of insurance coverage as required by contract.
- The district did not enter into a written agreement with a local community college to provide vocational technical classes to students. The district paid this college approximately \$46,000 during the 2012-2013 school year.
- The district allowed a local university to use its athletic facilities for a multi-district summer football camp without a written agreement and without charge. Participants in the 2-day camp were charged \$25 each; however, the district was not aware of the number of participants or revenues generated by the university. The district's facility use policy



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requires the district to collect rental fees for the use of district facilities prior to use and the Board to set rental fees annually; however, no rental fees had been established by the Board.

Clear and detailed written contracts, including reporting requirements and provisions to allow for proper monitoring, are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure district monies are used appropriately and effectively. Closely monitoring contractor performance and compliance with contract terms is important to ensure limited district resources and assets are used wisely and that expectations of the Board and the public are met. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. In addition, to ensure all renters are treated equitably, board policy should be followed and rental fees established annually by the Board.

Recommendations

The School Board:

- 5.1 Adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews of the disbursement records are performed. In addition, the Board should ensure the list of bills provided for approval at monthly meetings is complete and the Superintendent adequately documents his review of invoices.
- 5.2 Ensure Board members avoid participation in situations that could result in the appearance of or actual conflict of interest and complete required financial disclosure statements.
- 5.3 Determine if a petty cash account is needed, establish formal petty cash policies including purchasing limits; ensure only small and emergency expenditures are made from the account, adequate supporting documentation is obtained and reviewed, and checks are signed in accordance with board policy.
- 5.4 Establish formal policies and procedures to ensure the proper use, accountability, and approval of purchase orders.
- 5.5 Ensure duplicate vendors and vendors the district does not plan to use are removed from the vendor list and vendor information contained in the system is complete.
- 5.6 Establish written policies for employee reimbursements, local meal purchases, and gifts/awards, and ensure all disbursements of district monies clearly benefit the school district.



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- 5.7 Establish procedures to properly monitor contract requirements, and enter into written agreements defining services provided and benefits received. In addition, the School Board should ensure board policy is followed for facility usage.

Auditee's Response

The School Board provided the following written responses:

- 5.1 *Starting in the second semester of the 2013-2014 school year, the School Board has been given a list of all checks and transfers between accounts in the monthly board packet (trace number listing in consecutive order). This will continue. In the past, the Superintendent has signed all purchase orders and has reviewed and marked all monthly checks and direct deposit payroll payments. The Superintendent will continue to do this, but will initial with his highlighter on each check rather than just use a check mark. The accounting duties have been segregated to the maximum extent possible with independent reviews taking place by providing each School Board member with a copy of every disbursement and transfer and by the Superintendent reviewing accounting and finance documents. In the future, the Board President or Board Treasurer will periodically match written checks to invoices with viable entities receiving funds through an accounts payable list. Additionally, the district will ensure that there are multiple signatories on each school account.*

- 5.2 *Board policy does require board members to fill out personal financial disclosure statements. The school has done business with one business where a Board member is a part owner. The Board member in question abstained from approving any check written to this business and in years past has filed a personal financial disclosure statement. This Board member had not yet filed a personal financial disclosure statement at the time of the audit, but has since done so and will continue to do so.*

Any purchases in excess of \$3,000 will be bid out according to Board policy. Any purchases from this local business have always and will continue to reflect a minimum of a 10% discount. This arrangement is much more financially beneficial to the district than the labor, mileage, and increased cost associated with driving to Springfield. In the future, bids for products and services available locally will be bid out and will include the costs associated with shipping and/or delivery. If at any time a check much be written to a business or individual who would normally sign checks, then that check will be signed by a Board member other than the payee.

- 5.3 *The petty cash checking account was closed in the fall of 2013.*



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- 5.4 *It is the practice of the school to have an administrator sign a purchase order for payment. The purchase order is then approved and signed by the Superintendent. After obtaining both signatures, the purchase can then be made either by the main office, the school office, or the teacher. After a copy of the invoice and/or receipt is given to the main office after delivery, the business entity or individual is paid based upon the invoice or receipt. When it is necessary for the Superintendent to make purchases, the Board President will sign the purchase order approving the purchase. All employees have been reminded of the school's purchasing practices. These procedures and practices will be written in all applicable handbooks so every employee will know what is expected and to avoid lapses in practice of obtaining a purchase order as was noted by the auditor.*
- 5.5 *Duplicate vendors have been purged from our system.*
- 5.6 *Professional development conferences out of state will be formally approved by the Superintendent rather than just approved by the professional development committee as has been the past practice.*

Supporting documentation for all reimbursements has been required, but this documentation should be itemized and detailed to ensure that the school is reimbursing for approved activities. Meals have been reimbursed for school employees where the meal takes place at a school related meeting or activity. This will continue to be the school's policy, however, more detailed (itemized) receipts including business purpose and attendees are now being asked for to ensure that the school is only paying for appropriate items. This procedure will be written in all applicable handbooks so every employee will know what is expected.

Moderately priced gifts (clock and gift card) have been purchased for employees retiring from the school district after many years of service. Their service has been of great value to the school district for many years and the practice of purchasing such gifts for retiring employees will continue. In the future, the school will document who received and the purpose of the gifts. This procedure will be written in all applicable handbooks so every employee will know what is expected.

- 5.7 *The new software and meal accountings system now allows the school to more easily compare meal invoices from the contracted food service provider with the meals actually served. All persons eating a meal are entered into the system.*



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The school had not contacted the vendor to receive its rebate prior to the audit. The school has since done this, received the rebate, and will continue to do so.

The district has received documentation from all contracted employees regarding their professional licenses and insurance coverage.

The district will enter into a contractual agreement with the local community college to provide vocational/technical education for our students.

In July of 2013, the district set a specific monetary amount to be charged when others use our athletic facilities.

6. Budget Monitoring and Accounting Records and Controls

Budget monitoring, accounting record preparation, and accounting controls need improvement.

6.1 Budget monitoring

Information recorded in the district's accounting system is not complete and accurate, and the Board does not adequately monitor budget to actual receipts and disbursements.

- The budgeted information for the 2012-2013 school year was not recorded in the district accounting system correctly, causing budget to actual reports generated to be inaccurate. While the Board approved budgeted appropriations of \$2,287,719 for the Operating Fund and \$3,940,909 for the Teachers Fund, the district recorded budgeted appropriations of \$2,382,293 for the Operating Fund and \$3,851,685 for the Teachers Fund in the accounting system.

Additionally, cash balances of several district bank accounts totaling \$279,546 were not recorded in the district's accounting system at June 30, 2013.

- The School Board only reviews budget to actual reports quarterly. Additionally, the report format does not allow Board members to easily review each individual fund's financial activity. Since some funds have restricted uses, budgets are approved by fund, and overspending should be addressed by fund, it is essential the Board monitor the financial activity of each district fund.

Budget documents are an essential tool for the efficient management of district finances. Accurate and complete budget and financial information is



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necessary for the Board to make informed decisions and to provide residents with reliable information about district finances. Adequate budget monitoring allows the district to properly react and plan for increased disbursements and decreased revenues. To be of maximum assistance to the Board and to adequately inform the public, accounting records of the district should accurately report budgeted appropriations and activity by fund and include all bank account balances, and should be submitted to the Board for review monthly.

6.2 Adjustments

The Secretary to the School Board has the ability to post adjustments to the district's accounting system without obtaining independent approval. During the 2012-2013 school year, 53 adjustments totaling approximately \$1.8 million (\$775,000 increase and \$1,022,000 reduction adjustments) were made to the accounting system. Adjustments included reclassifying disbursements between account codes, voiding checks issued, recording debt service payments, and correcting inaccuracies in records. To ensure adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments.

6.3 Electronic signatures

The district does not have adequate controls over electronic signatures.

Electronic signatures of the School Board President and Treasurer are not adequately safeguarded to prevent misuse and are not used in compliance with board policy. Both the Secretary to the School Board and the district bookkeeper have access to these electronic signatures. The School Board President and Treasurer do not perform a subsequent review of the use of their electronic signatures. Board policy provides for electronic signatures to be used to sign checks; however, the Secretary to the School Board frequently signed contracts using the Board President's electronic signature, which is not allowed by policy.

If the Board President and Treasurer are unavailable to sign checks and other documents, they should subsequently document their review of records on which their signature is applied to safeguard against possible loss or misuse of funds. In addition, board policy over electronic signatures should be reviewed and revised, if needed, to provide more comprehensive guidance on the use of electronic signatures.

Recommendations

The School Board:

- 6.1 Establish procedures to properly monitor actual to budgeted activity in a timely manner.
- 6.2 Require an independent review and approval of all adjustments.
- 6.3 Review use of electronic signatures and the related board policy. If needed, revise the policy to address use of electronic signatures.



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Auditee's Response

The School Board provided the following written responses:

- 6.1 *The district budget is adopted in June, but final balances (including total expenditures and revenues) are not known until after the year-end audit takes place in July. For the sake of accuracy, what has always been put into the school's accounting software has been the most accurate figures available resulting from the annual audit. The School Board will be given a copy of any differences between what is actually adopted in the annual budget, and the corrected figures resulting from the annual audit or other approved changes made after the printed copy of the budget is finalized. Additionally, all district monies have been recorded in the district's accounting system and will be from this point on. The School Board has also been given budget documents by fund each month. Board members have always had this information provided to them each month, but we are now providing this information separated by fund and in the traditional manner also.*

In the past, there have been assets infrequently accessed, which were not placed in the school's accounting system. These accounts include money received from third parties to be used for student scholarships and teacher awards, a FFA account controlled by the FFA advisory committee, money received from a beverage vendor which was put into a Certificate of Deposit for future use, and a Certificate of Deposit for investment purposes. These assets, while not used through the school's accounting system have now been placed on the school ledger to be reviewed by the Board each month. Every bank account holding school assets has been accounted for on the school ledger since the fall of 2013.

- 6.2 *The Superintendent has reviewed adjustments in the past, but will document such reviews in the future. A copy of any and all adjustments has been given to the School Board starting in the second semester of the 2013-2014 school year.*
- 6.3 *The School Board President will personally sign contracts rather than use an electronic signature. All documents signed by electronic signature will be made available to those School Board members whose electronic signatures were used. The Board President and Treasurer will periodically review checks using their electronic signature.*



7. Attendance Reporting and Computer Controls

Attendance reporting and computer controls need improvement.

7.1 Attendance reporting

The district's attendance system does not adequately track some changes made to attendance records or limit the time frame during which changes can be made and there is no review by district officials to ensure changes made to current school year attendance records are appropriate. Without limiting the time frame during which changes can be made or reviewing changes made, the data is subject to erroneous changes that may significantly affect attendance reports to the Department of Elementary and Secondary Education (DESE). We also identified some inaccuracies in the attendance records.

District procedures require daily student attendance to be recorded in the attendance system by each teacher or by a school secretary when a teacher is absent. A preliminary attendance report is generated each day and reviewed by each school's secretary for accuracy before finalizing the daily attendance. If any changes need to be made before finalizing the daily attendance, or at a later date when a correction needs to be made, the change can be made by school secretaries. Changes to the daily attendance records can be made anytime for the current school year. In addition, if a change is made by the user who originally entered the information, the system does not acknowledge the action as a change and does not report a change of information recorded in the audit trail. Also, an audit trail report or report of changes made is not generated and reviewed by district administrative personnel to ensure all changes made to attendance records are accurate and appropriate, and documentation supporting the changes made is not always maintained.

During our review of Missouri Assessment Program (MAP) testing make-up exams, we compared attendance records for students identified as absent during specific exam dates to the attendance system. We identified 2 of 11 documented absences were not accurately recorded in the attendance system, and 2 other absences for a student were recorded as a "planned absence," thereby allowing the district to receive funding for the student as present while absent; however, the events creating the absence did not qualify as a "planned absence" according to DESE officials.

Correcting attendance data is necessary to ensure accuracy in the reporting process and any changes must be made before attendance can be certified to the DESE. However, review and approval of all changes is necessary to ensure reliability of the attendance data.



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7.2 Access restrictions

The district has not adequately restricted access to computer systems and data to only authorized users. Some district employees with no attendance related responsibilities, including a bus driver and an assistant principal, have access to the attendance system. In addition, although the use of passwords to access the attendance tracking and accounting systems is required, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. Also, some user identifications and passwords for other systems are shared by district employees. As a result, unauthorized access could occur, leading to misuse or unauthorized changes to district financial or attendance data. To prevent unauthorized changes, access should be limited and passwords should be kept confidential and changed periodically.

7.3 Computer inactivity

The district has not established security controls in any of the district offices to shut down computers after a certain period of inactivity and detect or prevent incorrect login attempts. As a result, unauthorized individuals could access an unattended computer and have unrestricted access to programs and data files. To help protect computer files, security controls should be implemented to shut down the system after a certain period of inactivity and to detect and prevent incorrect login attempts.

Recommendations

The School Board:

- 7.1 Implement additional controls and procedures to ensure student attendance data is accurately recorded and reported, including restricting the time frame during which changes can be made. The School Board should also require an audit trail of changes made to attendance data be prepared and reviewed for accuracy.
- 7.2 Ensure user access rights to the attendance system are limited, and require unique user identifications and passwords for each employee that are kept confidential, and passwords be periodically changed to prevent unauthorized access to district computer systems and data.
- 7.3 Establish a security control requiring computers to shut down after a certain period of inactivity and lock computers after a specified number of incorrect logon attempts.

Auditee's Response

The School Board provided the following written responses:

- 7.1 *The district will contact the software provider to see if there is a possible solution that would provide for more of an audit trail of changes made in the system. Teachers mark students as present or absent in their class. Any changes made to attendance information on the database will be made by the school secretary in that*



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building. The district has, and will continue to train teachers in the proper use and importance of keeping accurate attendance records in the information system. This procedure will be written in all applicable handbooks so every employee will know what is expected. The district will contact DESE to ensure that any time-frame restrictions that the district might adopt in the area of attendance reporting meets the guidelines established and allowed by DESE.

7.2 *The district is looking at possible procedures, including more use of passwords, which will ensure that school computers are not misused by individuals who are not authorized users. Teachers will be trained to log-out of all network computer systems after use, which will require the use of a password to start using the system again. Teachers who leave employment as a teacher in the district will be removed immediately from the system as a possible user. A list of all system users will be maintained and approved by the Superintendent each year. This procedure will be written in all applicable handbooks so every employee will know what is expected.*

7.3 *The software used in each school is password protected. It requires a password each time that the software is initialized. Additionally, there is a timed-out function on this software which will automatically log-out any user and require the use of a password to use the software again. These security controls have always been in place and will continue to be in place. The district will contact the software providers to see if there is a possible setting or solution which would allow the district to view unsuccessful log-in attempts and lock computers after a specified number of incorrect logon attempts.*

8. School Board Procedures and Minutes

The School Board did not thoroughly perform or document a cost-benefit analysis of district reorganizations and did not ensure compliance with the Sunshine Law. In addition, improvement is needed with district policies.

8.1 Reorganization

The Board did not thoroughly perform or document a cost-benefit analysis prior to reorganizing the district's two elementary schools for the 2012-2013 school year and again for the 2013-2014 school year, and failed to track the actual costs/benefits of either reorganization to compare with historical costs of operating the two schools or to the reorganization plan.

Prior to the 2012-2013 school year, the district provided kindergarten through 6th grade classes at both the Ash Grove and Bois D'Arc Elementary



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School locations based upon student residence. Due to decreased enrollment and in an effort to reduce costs, the district reorganized the elementary schools for the 2012-2013 school year by moving all district kindergarten through 3rd grade students to the Bois D'Arc Elementary School and splitting elementary grades 4-6 between both elementary schools based upon student residence. The district reorganized again for the 2013-2014 school year, moving all 3rd and 4th grade students to the Bois D'Arc Elementary, while all other elementary grades attended the Ash Grove Elementary School.

To ensure the most efficient and effective decision is made, the School Board should ensure a documented plan, including a cost-benefit analysis, is completed and reviewed prior to the reorganization of schools. In addition, to effectively monitor the effects of reorganization, the School Board should require a cost-benefit analysis be completed and updated periodically to support the district's continued decision making process.

8.2 Minutes

The School Board did not always comply with the Sunshine Law, and minutes were not always complete, accurate, or maintained.

- Closed meeting minutes for the July 23, September 24, and December 17, 2012, closed sessions did not document a description of matters discussed in closed session. While documenting details of matters discussed in closed meetings is not required, identification of matters discussed is advisable to better document that meeting discussions are consistent with reasons cited for closure and to demonstrate that only statutorily allowable topics are addressed.
- Open meeting minutes did not record a roll call vote of the Board to enter into the closed sessions held on March 12 and 14, and April 4, 2013.
- Minutes did not always document decisions made by the Board. For example, contract amendments for administrative employees provided for a 3 percent increase in salary, and while meeting minutes indicate the increase in salary was presented to the Board, the meeting minutes did not document the Board's approval (motion or vote) of the salary increase.
- Meeting minutes did not always appear to be accurate. For example, the June 18, 2013, open meeting minutes indicate only one closed session was held when closed session meeting minutes indicate two separate closed sessions occurred.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all open and closed meetings, and that before any meeting may be closed, the



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question of holding the closed meeting and the reason for the closed meeting, shall be voted on at an open session by roll call vote and documented in open session minutes. Minutes would be more beneficial to district officials if sufficient information was documented to demonstrate compliance with statutory provisions and support important decisions made.

8.3 District policies

As noted throughout the report, the district's policies are not complete, accurate, up to date, or adequately communicated to district employees. The district has adopted sample policies from the Missouri State School Boards' Association (MSBA) Education Policy Service without customizing the policies to address actual procedures of the district. Since board policies govern district operations, it is important that the policies be maintained in a complete, accurate, and up-to-date manner, and adequately communicated to district employees.

Recommendations

The School Board:

- 8.1 Ensure a documented plan, including a cost-benefit analysis of the district's reorganization is completed and reviewed prior to future reorganization efforts.
- 8.2 Ensure minutes provide a complete and accurate record of all important discussion and decisions made by the Board and record the Board's compliance with the Sunshine Law.
- 8.3 Update and ensure a complete set of district policies is maintained.

Auditee's Response

The School Board provided the following written responses:

- 8.1 *The reorganization of the elementary schools took place for educational purposes as well as financial reasons (i.e. increased collaboration between grade-level teachers; consolidation of grade-level resources per building; equalization of all class sizes per grade, systematic decrease in teaching positions as student enrollment declines, etc.). As a school, every decision made has both a financial impact and educational impact. The School Board looked at multiple options and impacts, looked at multiple years of enrollment and other pertinent data (including financial data), and completed this review prior to making any final decision regarding reorganization. The School Board agonized over the ramifications of these decisions, but eventually a decision had to be made after weighing all the options. In the future, the school will strive to do a better job of documenting specific plans and communicating the information considered, including cost-benefit analyses, as it makes important decisions impacting the district.*



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- 8.2 *In the future, the closed minutes will include a statement of items discussed in closed session. The School Board Secretary will strive to ensure that the minutes of open meetings are accurate and in compliance with the Sunshine Law. We are now recording this vote in both the open and closed minutes.*
- 8.3 *The school district will work with the MSBA to ensure that the practices of the district are consistent with the School Board policies obtained through MSBA. School Board members and administrators will review all School Board policies to ensure that policy and practice align. If they do not, changes will be made to either School Board policy or practice. The district will ensure that all policies or changes in policy are adequately communicated to district employees.*

9. Capital Assets and Fuel Usage

Controls and procedures over district property and fuel usage need improvement.

9.1 Capital assets

District officials have not properly maintained a detailed record of the property owned by the district and performed inventories of district capital assets held outside of classrooms at each school. The capital asset listings did not include 12 pieces of equipment (tractors, trailers, mowers, etc.) valued at approximately \$56,000 and the listings maintained do not include all necessary information such as the value of assets, or date and method of disposal. In addition, the district has not tagged or otherwise identified all property items as belonging to the district. The district's insurance carrier valued district property, buildings, and contents at approximately \$24 million at September 2013.

Adequate property records and procedures are necessary to secure better internal control over district property, and provide a basis for determining proper insurance coverage. Property control tags should be affixed to all property items to help improve accountability and ensure assets are properly identified as belonging to the district.

9.2 Vehicle and fuel use

The district's controls and procedures over fuel use and purchases need improvement. The district utilizes a local gas station for fuel for its 16 buses, 3 vehicles and 8 pieces of equipment. The district purchased approximately \$70,000 in fuel during the 2012-2013 school year. Fuel and mileage logs are not maintained for district vehicles and equipment and a reconciliation of fuel purchased to usage is not performed.

Failure to reconcile fuel used to fuel purchased and to maintain mileage logs or other mileage records could result in theft and misuse going undetected. Adequate procedures for monitoring fuel purchases, including mileage logs and comparison of mileage to fuel, are necessary to ensure the



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reasonableness of vehicle use and to prevent and detect theft and misuse of fuel.

Recommendations

The School Board:

- 9.1 Ensure complete and detailed capital asset records are maintained, annual physical inventories are conducted and compared to capital asset records, and property control tags are affixed to all property.
- 9.2 Ensure a documented periodic reconciliation of fuel purchased to fuel used is performed, and investigate any significant discrepancies. In addition, the Board should ensure mileage logs are maintained for all district vehicles and equipment.

Auditee's Response

The School Board provided the following written responses:

- 9.1 *More detailed records of capital assets will be maintained throughout the district. The district will look at mechanisms available to more adequately mark district property. All items of \$200 value or more will be marked. A physical inventory of all district property will be compiled each year using lists created by the building principals, Technology Coordinator, Head of Maintenance, and the Superintendent. This procedure will be written in all applicable handbooks so every employee will know what is expected.*
- 9.2 *Mileage logs that identify each user by card with the fuel obtained are currently being kept for school vehicles. Reconciliation of fuel purchases to the logs has been done on a monthly basis since the fall of 2013.*

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Organization and Statistical Information

The Ash Grove R-IV School District is located in Greene, Dade and Lawrence Counties.

For the 2012-2013 school year, the district operated one junior/senior high school (grades 7-12) located in Ash Grove, and two elementary schools located in Bois D'Arc (grades K-6) and Ash Grove (grades 4-6). Enrollment was 743 for the 2012-2013 school year. The district employed 94 full-time and 13 part-time employees, at June 30, 2013.

The Ash Grove R-IV 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, 2013, were:

Bill Duncan, President
Doug Renshaw, Vice-President
Ron Reed, Treasurer
Kerrie Jackson, Member
Ron Keith, Member
Lisa Reece, Member
Eddie Mulbery, Member

Superintendent

The district's superintendent at June 30, 2013, was Dr. Don F. Christensen. His compensation for the 2012-2013 school year of \$108,233 included a base salary of \$96,648, the value of health and critical care insurance including family coverage totaling \$9,109; \$725 in district-paid premiums each year for a \$500,000 life insurance policy, and a vehicle allowance of \$1,500. Compensation that year also included compensation for driving a district bus totaling \$251. The superintendent's compensation is established by the school board.