



# Thomas A. Schweich

Missouri State Auditor

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## Joplin Schools



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February 2015  
Report No. 2015-012

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Joplin School District

Financial Condition	The financial condition of the Joplin Schools General and Capital Projects Funds have declined in recent years. The General Fund balance is projected to decline from approximately \$16 million in July 2011 to \$4.6 million in June 2015. The Capital Projects Fund balance is projected to decline from approximately \$29 million in July 2011 to \$5 million in June 2015. The declining fund balances are due in large part to the impact of the May 22, 2011, tornado and atypical disaster related expenditures. Decreased property values and a tax increment financing agreement entered into between the city, master developer, and the district has also affected local funding. In addition, the decline in the Capital Projects Fund balance necessitates the district obtaining additional financing to pay for construction expenditures until the district receives final federal and state disaster funding.
Accounting Controls and Procedures	District employees do not always issue receipt slips and reconcile them to transmittals/deposits, record receipts timely, or deposit receipts timely and intact. In addition, school officials do not maintain adequate supporting documentation or track receipts and disbursements for the petty cash funds at South Middle School and the high school. The district does not issue tickets to those who attend district athletic events or have another method to account for attendees, and as a result has no method to reconcile collections to deposits and ensure all receipts are deposited. Further, the district does not maintain inventory records of concession items purchased, sold, and on hand. The district also has not adequately segregated the duties of receiving, recording, and depositing or transmitting monies at any of the 5 schools auditors visited or perform documented reviews of accounting records.
School Stores	The student run school store and coffee shop collection procedures at the high school need improvement. Neither the teachers nor student workers maintain proper inventory records, conduct periodic physical inventories, or reconcile inventory to sales and purchases.
Financing Arrangements, Procurement Procedures, and Contracts	The district used the same provider to serve as both financial advisor and bond underwriter for all bond and lease participation certificates, and sold general obligation bonds and lease participation certificates using a negotiated sale rather than a competitive bid process. In addition, the district did not always follow its purchasing policy, enter into written contracts when appropriate, or monitor contracts effectively. For example, the district made payments totaling approximately \$4.3 million to the rebuild projects construction manager for general conditions fees and acceleration costs without obtaining adequate supporting documentation to ensure reasonableness and compliance with contract terms.
Sunshine Law	The district did not adequately document justification for Sunshine Law fees charged prior to November 2013 and does not maintain a log of public requests to ensure the district handles all requests in compliance with the Sunshine Law. Also, the Board of Education did not make public the results of some votes taken and the final disposition of matters discussed in closed meetings, when required.

Bright Futures Joplin	District personnel do not reconcile the Bright Futures (BF) Joplin store inventory to purchases and sales and do not conduct periodic physical inventories. In addition, personnel at the BF Joplin distribution center do not maintain a perpetual inventory record and do not perform periodic inventories.
Attendance	The district's attendance system does not adequately track all changes made to attendance records or limit the time frame during which district employees can make changes. Further, district officials do not review changes made to current school year attendance records to ensure they are appropriate.
Student Promotion and Retention	The district did not require eleven at-risk 4th grade students who were reading below a 3rd grade level at the end of the 2013-2014 school year to attend summer school prior to the district promoting them to 5th grade. Although summer school is required by statute in this situation, the district suggests at-risk students attend summer school, and does not require attendance if the parents refuse.
Capital Assets, Fuel Usage, and Mileage Logs	The district has not performed an annual physical inventory of district assets since 2010, and has yet to remove numerous items destroyed in the May 22, 2011, tornado from the district's capital asset listing. In addition, the capital asset listing does not include more than \$11.7 million in capital assets purchased after the tornado. The district also does not reconcile fuel purchased for its 2 bulk fuel tanks to usage recorded on district mileage logs, and for 2 of the district's 9 fuel cards the district does not reconcile charge receipts to fuel card statements. Also, the district's mileage logs are not always complete.
Personnel Policies and Procedures	The district hired some employees for positions in which they did not possess the minimum required qualifications, and there was no documentation supporting the district's acceptance of other qualifications or experience in lieu of the stated qualifications. The district has not documented the basis for administrative employee mileage stipends, and does not have a travel policy to address meal allowances, mileage reimbursements, mileage stipends and the submission of related supporting documentation. The district's cell phone policy is also out of date.
Internal Audit Function	The district does not have an internal audit function to audit its numerous cash collection points and compliance and policy requirements.

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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# Joplin Schools

## Table of Contents

---

State Auditor's Report	2
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---

Management Advisory Report - State Auditor's Findings	1. Financial Condition .....4
	2. Accounting Controls and Procedures .....6
	3. School Stores..... 10
	4. Financing Arrangements, Procurement Procedures, and Contracts ..... 12
	5. Sunshine Law ..... 18
	6. Bright Futures Joplin .....20
	7. Attendance.....21
	8. Student Promotion and Retention.....22
	9. Capital Assets, Fuel Usage, and Mileage Logs .....23
	10. Personnel Policies and Procedures .....26
	11. Internal Audit Function .....28

---

Organization and Statistical Information	29
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### Appendixes

A	Statement of Revenues Collected, Expenditures, and Changes in Fund Balances.....31
B	Summary of Disaster Recovery Funding and Expenditures.....32



# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Board of Education  
Joplin Schools

The State Auditor conducted an audit of the Joplin Schools under the authority granted in Section 29.205, RSMo. We have audited certain operations of the district in fulfillment of our duties. The district engaged Mense, Churchwell & Mense P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2014. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2014. The objectives of our audit were to:

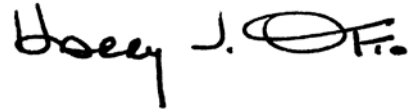
1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 Joplin Schools.

A handwritten signature in black ink, appearing to read "Harry J. Otto". The signature is stylized with a large, looped "H" and a distinct "O" at the end.

Harry J. Otto, CPA  
Deputy State Auditor

The following auditors participated in the preparation of this report:

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# Joplin Schools

## Management Advisory Report

### State Auditor's Findings

#### 1. Financial Condition

The financial condition of the Joplin Schools (district) General and Capital Projects Funds have declined in recent years. The financial impact of the May 22, 2011, tornado significantly affected the decline in these fund balances. In addition, the declining Capital Projects Fund balance necessitates the district obtaining additional financing to cover construction expenses coming due before disaster funding reimbursements are received. As shown in Appendix B, the district expended approximately \$250 million for disaster recovery as of December 31, 2014.

##### General Fund

The financial condition of the General Fund has declined and is not expected to improve by the June 30, 2015, fiscal year end. The following table presents General Fund activity and balances as reflected in the district's current budget and the recent independent CPA audit reports.

	Year Ended June 30,			
	2015 Projected <sup>1</sup>	2014 Actual <sup>2</sup>	2013 Actual <sup>2</sup>	2012 Actual <sup>2</sup>
Beginning Fund Balance	\$ 7,031,263	10,220,140	13,294,813	15,991,357
Total Revenues	39,342,771	39,167,268	38,154,271	40,634,973
Total Expenditures	(29,677,337)	(28,963,283)	(31,061,668)	(32,110,120)
Other Financing Sources (Uses)	(12,090,620)	(13,392,862)	(10,167,276)	(11,221,397)
Ending Fund Balance	\$ 4,606,077	7,031,263	10,220,140	13,294,813

<sup>1</sup> Projected revenues and expenditures and other financing sources (uses) amounts agree to the district's fiscal year 2015 budget after adjustments to remove self-insurance and scholarship funds since these amounts are separately reported in prior years in the audited financial statements.

<sup>2</sup> Amounts agree to the district's audited financial statements.

Expenditures and other financing uses have exceeded revenues in each of the last 3 years and are expected to again in 2015. District expenditures have exceeded revenues due, in large part, to the financial impact of the tornado. The district incurred many atypical disaster related expenditures including extensive construction projects and leasing temporary school buildings, after the May 22, 2011 tornado. The district also transfers monies from the General Fund to the Capital Project Fund each year to cover district construction projects and maintenance. In addition, the amount of local funding (property tax revenues) decreased significantly after the tornado due to decreased property values. Local funding has also been affected by a tax increment financing agreement entered into between the city, master developer, and district. Under this arrangement a portion of property taxes collected from property owners within the TIF Redevelopment Area are disbursed to the TIF Special Allocation Fund, for retirement of the TIF debt, rather than the district.

##### Capital Projects Fund

The financial condition of the Capital Projects Fund has declined and is not expected to improve by the June 30, 2015, fiscal year end. Expenditures exceeded revenues and other financing sources in 2014 and are expected to again in 2015. In addition, the declining Capital Projects Fund necessitates



Joplin Schools  
Management Advisory Report - State Auditor's Findings

the district obtaining additional financing to pay for construction expenditures until final federal and state disaster funding is received. The following table presents Capital Projects Fund activity and balances as reflected in the district's current budget and the recent independent CPA audit reports.

	Year Ended June 30,			
	2015 Projected <sup>1</sup>	2014 Actual <sup>2</sup>	2013 Actual <sup>2</sup>	2012 Actual <sup>2</sup>
Beginning Fund Balance	\$ 8,576,974	107,183,484	66,807,124	29,333,684
Total Revenues	57,509,559	6,647,419	11,595,995	9,112,051
Total Expenditures	(62,690,900)	(112,236,391)	(54,793,418)	(37,988,173)
Other Financing Sources (Uses)	1,700,000	6,982,462	83,573,783	66,349,562
Ending Fund Balance	\$ 5,095,633	8,576,974	107,183,484	66,807,124

<sup>1</sup> Projected revenues, expenditures and other financing sources (uses) amounts agree to the district's fiscal year 2015 budget.

<sup>2</sup> Amounts agree to the district's audited financial statements.

After the May 2011 tornado, the district started numerous construction projects including 4 new buildings to replace 5 damaged schools (2 elementary schools, a middle school, and a high school and technical center). Excess unplanned expenditures incurred during the construction of the high school contributed to the declining fund balance including site remediation due to an old abandoned lead mine at the building site; and the inclusion of a track, additional tennis courts, concession stand, bleachers, lighting, and artificial turf at the sports complex. After the beginning of construction, the district determined it would be more efficient in the long term to have athletic facilities onsite. At December 31, 2014, the district was still finishing rebuilding the high school and adding various safe rooms throughout the district.

The district obtained \$37 million in short-term financing in August 2014 and anticipates obtaining an additional \$14 million in short-term financing in March 2015 to cover construction expenses coming due before the district receives final reimbursements from the Federal and State Emergency Management Agencies (FEMA and SEMA).

It is important the Board of Education (Board) continue to monitor the budget and cash flow projections to maintain a balanced budget and sound financial condition.

## Recommendation

The Board of Education continue to monitor the district's financial condition and take the necessary steps to improve the overall financial condition of the General and Capital Projects Funds.





Joplin Schools  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The Board of Education provided the following written response:*

*Within a few months of the tornado, the administration disclosed to the Board of Education and the community that the initial emergency disaster recovery effort would result in an estimated fund balance decline in the General Fund to as low as 8 percent of General and Teacher's Fund expenditures by fiscal year 2016. The incurred expenses following the May 22, 2011, tornado were necessary for a quick recovery and to ensure that families in Joplin stayed in Joplin. District fund balances have fallen to 10.64 percent as of June 30, 2014, on the path to our early 8 percent estimates. As a district, we will remain diligent in our efforts to meet or improve upon that early estimation as we expend fund balances to meet disaster-incurred and education-related expenses.*

*In June 2013, the Board of Education adopted the Standards of Excellence. Standard 5 includes an indicator of financial stability with a goal to reach an operating fund balance of 25 percent. As the fiscal year 2015-2016 budget is developed, the district will construct a plan to begin increasing General Fund and Capital Projects Fund balances over time.*

## 2. Accounting Controls and Procedures

Significant improvements are needed in the handling of student activity, athletic, and other student fees; and concession monies. These types of receipts are at greater risk because a large portion is received in cash, and there is a variety of handling and record-keeping methods throughout the schools. As a result of numerous control weaknesses, there is less assurance these monies have been handled and accounted for properly. We reviewed cash controls and procedures at the Joplin High School, Franklin Technical Center, East Middle School, South Middle School, North Middle School, the Bright Futures (BF) Joplin office in the administrative building, and the Early Childhood Center.

School secretaries are generally responsible for the receipting, recording, depositing, and reconciling of monies collected and the secretaries maintained petty cash funds at each of the facilities visited. Athletic event attendance and concession sales are generally handled by applicable school organizations. School administrators provide minimal oversight of the secretaries' duties or athletic event attendance and concession sales.

### 2.1 Receipting, recording, depositing/transmitting, ticketing, and concessions

We noted several concerns regarding receipting and recording, and identified numerous instances where staff did not transmit or deposit receipts timely and intact. In addition, improvement is needed in controls over school athletic event attendance tracking and concessions.

#### Receipting

Receipt slips are not always issued and are not reconciled to transmittals/deposits, receipts are not always recorded timely, and receipts are not always deposited timely or intact.



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Joplin Schools  
Management Advisory Report - State Auditor's Findings

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- Receipt slips are not always issued and are not reconciled to deposits. The high school did not issue receipt slips for various athletic monies collected. We performed a cash count at the high school athletic office on September 23, 2014, and counted \$2,954 received from sporting events, participation fees, and a fundraiser. Of this amount, \$398 in cash pertained to a September 16, 2014, event. In addition, we noted checks included in the monies counted that predated September 2014.
- Receipts are not always recorded timely. Bright Futures (BF) Joplin personnel did not record monies in the financial management system when received, but rather when deposited. Deposits were generally not made daily.
- Some receipts cannot be traced to receipt slips. Due to the number of student fees collected at the beginning of the year, the high school secretary used 5 different receipt books in September 2014. The secretary subsequently entered the receipts from the 5 books into a master book individually for some receipts and in summary for others. The master book is utilized to deposit monies and tie to deposits. Some receipts cannot be traced to deposits because entries in the master book that tie to deposits may only be in summary making it difficult to identify the receipts that comprise the master book receipt slips. Because of this system, we were unable to trace 8 checks on hand during our September 17, 2014, cash count to receipt slips.
- Receipts are not always transmitted or deposited timely or intact. As noted above, we performed a cash count at the high school on September 17, 2014, and traced most of the checks to receipts dated from September 4, 2014, to September 17, 2014. We counted a total of \$5,247 for activity funds (\$358 in cash and \$4,889 in checks) and \$410 held for technology fees (\$220 in cash and \$190 in checks). We were unable to tie any cash amounts back to receipts due to the poor quality of the records and secretary's depositing process. The secretary had deposited receipts earlier that day, but did not include the checks we counted because she was going through each of the 5 receipt books numerically to enter the fees into the computer system. However, in order to get cash out of her office she deposited the cash first regardless of the type of monies received for those fees or whether they were entered in the system. The secretary indicated because of the volume of receipt activity at the beginning of the school year she did not have time to record and deposit all receipts, but wanted to at least get the cash deposited. As a result, we noted 1 of the 8 checks, discussed in the preceding bullet above, was deposited September 19, 2014, and the other 7 checks were deposited September 22, 2014.
- In another instance, an Early Childhood Center deposit was not intact. Receipt slips issued between April 28 and May 29, 2014, totaled \$1,490



## Joplin Schools Management Advisory Report - State Auditor's Findings

(\$950 in checks and \$540 in cash), but the associated total deposit on May 30, 2014, did not agree. The deposit was comprised of \$1,018.05 in checks and \$413 in cash (a total of \$1,431.05). Deposited checks included one check for \$68.05 that was not recorded on a receipt slip. The deposit slip also indicated that \$50 in cash was included from employee payments to wear jeans. This cash was also not receipted. Based on this information and receipt slips, the total deposit should have included \$1,018.05 in checks and \$590 in cash. The difference is \$177 in cash that was not included in the deposit. The Early Childhood secretary did not know why monies would not have been deposited.

- 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. We identified this weakness at all facilities visited.
- Receipt slips at the East and South Middle Schools and the Early Childhood Center did not always indicate the method of payment (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.
- Checks received are not always restrictively endorsed immediately upon receipt. We identified this weakness at all facilities visited except North Middle School.

### Petty Cash

Petty cash fund procedures at the high school and South Middle School were inadequate. The petty cash fund (\$900) at the high school is mostly used for out-of-town athletic trips to give students meal money of \$5 apiece. However, there is no documentation maintained to ensure students receive the \$5 for athletic trips or if any money should be returned if a student does not attend the trip. We also noted a petty cash fund with a balance of \$102 at South Middle School with inadequate supporting documentation. The secretary stated that the National Junior Honor Society will place money in an envelope in the school safe and periodically spend it. However, there was no tracking of receipts and disbursements of this money and the petty cash funds are not maintained on an imprest basis.

### Athletic events and concession sales

Accounting controls for the district athletic events and concession sales need improvement. Tickets are not issued to attendees of district athletic events and the district has no other method to count attendees. Without this there is no method for the district to reconcile collections to deposits and ensure all receipts are deposited. We identified this weakness at the high school and middle schools visited.

Per a district employee, gatekeeping start-up money is provided to workers to make change at each event. At the end of the event all monies are counted



## Joplin Schools Management Advisory Report - State Auditor's Findings

and the difference between the starting cash and total cash is deposited and recorded as admissions fees for that event. The employee indicated after a varsity football game the deposit is normally completed the same evening. Admissions to a varsity football game are \$4 for adults and \$3 for students, while admission to all other athletic events is \$3 for adults and \$2 for students. The district collected approximately \$44,700 in admissions fees for the 2013-2014 school year.

In addition, the district does not require inventory records of concession items purchased, sold, and on hand to be maintained, and reconciled to concession monies collected. We identified this weakness at all 3 middle schools. North Middle School also pays concession stand workers from money collected prior to deposit, so deposits are not intact. Workers are paid \$10 per hour and the school keeps a log of what is paid. North Middle School paid workers \$350 between the beginning of the school year in September 2014 through October 15, 2014.

### Conclusion

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, the method of payment should be recorded on receipt slips and reconciled to the composition of receipts recorded in the accounting system and deposits or transmittals, and tickets should be issued for athletic events or another method developed to account for attendees. The failure to transmit and deposit monies intact and timely and properly document such procedures increases the risk of loss, theft, or misuse of funds. In addition, to properly account for concession sales, employees should not be paid from concession receipts and an inventory of concession merchandise purchased, sold and on hand should be maintained and reconciled to collections.

### 2.2 Segregation of duties

The district has not adequately segregated the duties of receiving, recording, and depositing or transmitting monies at the 5 schools visited, and documented supervisory or independent reviews of the accounting records are not performed. Secretaries at the 5 schools receive and record monies and prepare 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.

### Recommendations

The Board of Education:

- 2.1 Establish written policies to address records to be maintained and procedures to be followed for the collection of district monies and



Joplin Schools  
Management Advisory Report - State Auditor's Findings

monitor controls and procedures in all district schools. In addition, the Board should ensure monies are properly receipted, deposited timely and intact, and receipts are reconciled to the composition of deposits. Also, the Board should ensure transmittals of monies between employees are documented, checks are issued for payments, checks are endorsed upon receipt, gate monies collected are reconciled to the number of people paying, petty cash funds are properly documented and amounts collected for concessions are periodically reconciled to changes in concession inventory.

- 2.2 Ensure duties of receipting and depositing monies are segregated or implement adequate supervisory reviews if duties cannot be appropriately segregated.

## Auditee's Response

*The Board of Education provided the following written responses:*

- 2.1 *The district will review and improve current internal control procedures to ensure they are sufficient to correct deficiencies in the area of school-based monies collections and deposits that result from student activities.*

*The district agrees that an effective and efficient system of internal controls is necessary for petty cash, student activities, athletics, fees and event concessions. The system should function in the same manner it serves general district administration operations.*

*Initial discussions with school principals and staff took place last fall to improve compliance with current internal control procedures and to help identify and correct system shortcomings. Existing procedures require same-day deposits to the bank for amounts over \$100, deposits of all funds on hand at the end of the week, and the safeguarding of all funds collected. The district will expand and update current written procedures and provide training to staff with cash handling responsibilities.*

- 2.2 *The district's review to improve internal controls over student-based activities and written procedures referred to in the response to item 2.1 will address segregation of duties and procedures to be performed by principals and supervisors.*

## 3. School Stores

School store controls need improvement. To provide additional educational value to the students working in the school stores, students should be taught how to operate the stores with effective internal controls.

We visited a student run school store and coffee shop at the high school. Both the store and coffee shop are run by the same group of students under



## Joplin Schools Management Advisory Report - State Auditor's Findings

the supervision of a store sponsor (teacher) and have the same controls and procedures. The store sells various school spirit apparel and accessories, school supplies, beverages, snacks, and candy. The coffee shop sells coffee and a few snacks. The stores are open before and during school.

### 3.1 Cash controls

Improvements are needed in the handling of school store and coffee shop collections.

- Receipts are not transmitted intact and there are no receipt records utilized to record and reconcile receipts to transmittals. The school store and coffee shop use cash boxes rather than a cash register for receipts, and no receipt records are utilized to record the amount of monies collected. In addition, the teacher uses some collections from the store and coffee shop to pay the expenses of running the shops rather than transmitting the collections to the school secretary for deposit. In addition, all coins are withheld from transmittals and only transmitted to the school secretary once a week. There is no record to ensure that transmittals agree to the amount or composition of monies collected. According to school store records, store income from September 2, 2014, through September 22, 2014, exceeded \$5,000.
- The change fund is not maintained at a constant amount. The school store and coffee shop each receive starting cash from the change fund. The teacher withholds cash from transmittals to maintain the change fund; however, the fund is not maintained at a constant amount and the balance of the change fund is not tracked. At our September 17, 2014, cash count the change fund had \$164.

To properly account for all receipts and ensure monies are accounted for properly and transmitted, receipt records should be used and reconciled to monies collected and the method of payment should be recorded and reconciled to the composition of receipts recorded in the accounting system transmittals. 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.

### 3.2 Inventory

Neither the teachers nor student workers maintain perpetual inventory records, conduct periodic physical inventories counts, or reconcile inventory to merchandise sales and purchases. The students perform a weekly check to determine what is needed to run the stores.

Loss, misuse, or theft of school store inventory may go undetected without adequate inventory records and documented reconciliations. Effective inventory internal controls require maintaining perpetual records of all inventory items and performing a reconciliation of the balances obtained



Joplin Schools  
Management Advisory Report - State Auditor's Findings

during the physical inventory count and the balances recorded on the perpetual inventory records.

## Recommendations

The Board of Education:

- 3.1 Ensure sales are receipted and transmitted timely and intact. In addition, ensure the change fund is maintained at a constant amount.
- 3.2 Maintain perpetual inventory records and ensure regular inventories are performed at the school store and coffee shop, and inventory balances are reconciled to purchases and sales.

## Auditee's Response

*The Board of Education provided the following written responses:*

- 3.1 *In collaboration with instructional leadership, the district will strengthen controls for student-operated school stores so that monies and inventories are properly accounted for and safeguarded. Written procedures and training referred to in item 2.1 will include school store activities.*
- 3.2 *The district will identify and research practical solutions for maintaining perpetual inventory records for school stores and the coffee shop. Staff members responsible for these activities will be assisted in implementing an inventory system with the proper level of internal controls.*

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## 4. Financing Arrangements, Procurement Procedures, and Contracts

District bond and lease participation certificate financing, procurement procedures, and contracting practices need improvement.

### 4.1 Bond and Lease Participation Certificate Financing

The district used the same provider to serve as both financial advisor and bond underwriter for all bond and lease participation certificates, and sold general obligation (GO) bonds and lease participation certificates using a negotiated sale rather than a competitive bid process.

#### Bonds

The school district sold GO bonds totaling \$35,000,000 in July 2012 and \$27,000,000 in April 2013 through negotiated sales. For each sale, the bond underwriter also served as a financial advisor to the district. Using the same provider to act in the dual capacity of underwriter and financial advisor for a bond issue creates an inherent conflict of interest. In addition, 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



## Joplin Schools Management Advisory Report - State Auditor's Findings

underwriter, George K. Baum & Company, was paid a total of \$279,000 for these bond issuances.

The district issued the bonds to fund acquiring, constructing, repairing, improving, furnishing, and equipping school facilities, including a new Joplin High School/Franklin Technical Center, a new East Middle School, and 2 new elementary schools. Projects also included repairs and improvements to existing schools to include community safe rooms (tornado shelters). Per a district official, the Board used the underwriting firm because it had worked with the district for at least the last 8 years.

### Lease participation certificates

The district issued \$37 million in short-term lease participation certificates in August 2014 and anticipates issuing \$14 million in additional short-term lease participation certificates in 2015 (see MAR finding number 1). Lease participation certificates are a method of financing capital projects whereby a financial institution sells interests in the capital projects, leases the projects to a local government, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase at a nominal amount the capital projects it has been leasing. Lease participation certificates are not required to be approved by district voters. The short-term certificates will cover construction expenses coming due before the district receives final reimbursements from the FEMA and SEMA. The underwriter for the bond discussed above was utilized to issue the \$37 million in lease participation certificates receiving \$20,000 in fees for financial advising services.

### Conclusion

The lack of independent financial advice could result in the district not being adequately informed of bond issuance options or being unable to adequately evaluate bond proposals. The underwriter does not have a fiduciary responsibility to the district.

The State Auditor's office completed a statewide review of general obligations bond sales practices<sup>1</sup> 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. In addition, competition in selecting financial advisors is important to ensure services are obtained from the best qualified providers at a fair price.

## 4.2 Competitive purchasing

The district did not always follow its purchasing policy.

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<sup>1</sup> Report No. 2013-116, *General Obligation Bond Sales Practices*, issued in November 2013.





Joplin Schools  
Management Advisory Report - State Auditor's Findings

Bidding

Board policy requires purchases totaling \$1,501-\$4,500 to have documented oral quotes from reputable providers, purchases totaling \$4,501-\$9,000 to have at least 3 written quotes, and purchases totaling \$9,001-\$15,000 to be bid and receive approval from the Board before purchase. While the purchasing policy does not specifically address expenditures over \$15,000, all expenditures greater than \$9,000 are handled in the same manner. 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 2013-2014 school year disbursements determined the district did not always solicit bids in compliance with policy prior to receiving the service, document sole source procurement, or solicit bids when the district purchased over \$1,501 in goods/services from the same vendor within a short period of time. The following chart lists the goods and services reviewed that were not adequately bid.

Item or Service	Cost
Clerical/custodial service	\$ 62,023
Furniture	60,872
Alarm system maintenance	39,797

Professional services

Board policy indicates that if the purchasing officer determines that a purchase requires competitive negotiations; services may be purchased by competitive proposals. We noted several professional services procured without conducting a competitive selection process.

Service	Cost
Legal services	\$ 26,710
Training/consultation	14,000
Redistricting company	6,200
Educational consultant	5,600
Training instructor	4,248

The district has used the same legal counsel for approximately 18 years. The Board approves the legal counsel each fiscal year, but does not request proposals from other attorneys. The Board's legal counsel retired in December 2014 and recommended his replacement. The Board accepted the replacement without requesting proposals from other firms.

Sole source

The district did not adequately document that 3 purchases (training/consultation, educational consultant, and training instructor) were from sole source providers and why these vendors qualified as sole source providers. In addition, district personnel completed the bid forms for 2 of these vendors after the services were provided. The district needs to ensure identifying a vendor as a sole source is not used to circumvent the bidding process.



Joplin Schools  
Management Advisory Report - State Auditor's Findings

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Conclusion

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 and establishing procedures for classifying vendors as sole source providers would provide a more effective framework for economic management of district resources. In addition, periodically 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, taking expertise, experience, and/or cost into consideration.

4.3 Contracts

The district did not always enter into written contracts when appropriate or monitor contracts effectively.

Written contracts

The district did not enter into written contracts with some entities.

- The district did not enter into contracts with a redistricting firm, clerical/custodial firm, crossing guard service provider, alarm system maintenance firm, training professional service provider, and grocery distributor. The district paid these firms \$6,200, \$62,023, \$12,736, \$39,797, \$4,248 and \$50,573, respectively, during the 2013-2014 school year.
- The district did not enter into a new contract with the substitute placement and absence management service. The district started this service in January 2011 and entered into a contract for the 2010-2011 and 2011-2012 school years. Contract provisions allow for the automatic renewal of this contract, but does not allow for rate increases. However, rates have increased since the original contract from \$1.30 per employee needing a substitute to \$1.34, and \$.75 per employee not needing a substitute to \$.77. The district paid \$11,117 for these services during the 2013-2014 school year.
- The district provided an office in its administration building to Bright Futures USA, a separate not-for-profit entity, without a written agreement and without charge.

Grant compliance

The school district did not comply with reporting requirements of a grant from a private foundation. The \$1 million grant awarded to the Joplin Schools Foundation (Foundation) and passed through to the district was to help cover rebuilding costs from the tornado before receiving insurance proceeds and federal and state funding. According to the grant terms a financial report was to be submitted by March 2013 documenting what the monies were spent on and what was accomplished. The district had not



## Joplin Schools Management Advisory Report - State Auditor's Findings

requested funding from the Foundation as of March 2013. However, upon requesting funding in May 2014, the district submitted an invoice to the Foundation and the Foundation provided the funding, but no accomplishment details or financial report accompanied the invoice to demonstrate what rebuilding costs the grant was covering.

### Construction contracts

The district did not adequately monitor some construction contracts. We reviewed selected school construction projects and the related contracts and identified various problems.

- The district did not ensure payments made to the construction manager for the rebuild projects are reasonable and comply with the construction management contract. The contract allows the construction manager to be reimbursed for certain expenses for the general conditions. General conditions refer to performance of services including temporary toilets, temporary roads, cleaning sites/roads, legal, etc. In addition, the construction manager incurred acceleration costs to ensure the high school and technical center would open in time for the 2013-2014 school year despite delays from site remediation of an old abandoned mine at the building site. The district did not obtain adequate supporting documentation to ensure payments to the construction manager were reasonable and comply with the contract provisions for the general conditions fees and acceleration costs. While other construction invoices are reviewed by the construction manager prior to district review, only the district is responsible for reviewing the construction manager's invoices so it is important the district receive detailed information to do this effectively. General conditions fees and acceleration costs totaled \$1,474,489 and \$2,788,146 as of November 2014, respectively, for the school construction projects.
- The district did not always ensure payments approved matched contracted amounts. The district accepted a combined bid of \$290,000 for structural steel for the first 5 community safe rooms and received a \$31,306 discount from the vendor which was applied evenly to each of 5 separate project contracts (\$6,261.20 per contract). However, when vendor pay applications were submitted for payment, the entire discount was applied to only 1 of the 5 projects. Although the district had not overpaid on the contracts as of October 2014 (\$265,087), it is much harder for the district to ensure individual project payments were in accordance with each separately approved contract's provisions.

### Conclusion

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. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.



Joplin Schools  
Management Advisory Report - State Auditor's Findings

## Recommendations

The Board of Education:

- 4.1 Consider a competitive sale for future bond issuances. In addition, ensure competitive selection is utilized to select financial advisors.
- 4.2 Solicit bids in compliance with Board policy and amend the policy to add timeframes for bid thresholds and sole source procedures. If sole source procurement is necessary, the district should retain documentation of these circumstances.
- 4.3 Enter into written agreements defining services provided and benefits received, and establish procedures to properly monitor contract requirements.

## Auditee's Response

*The Board of Education provided the following written responses:*

- 4.1 *The district will give due consideration to competitive sales for future bond issuances. The district will also review its current practice of periodically selecting firms to provide financial services on a competitive basis. The review will include the frequency of competitively selecting financial advisors.*

*Depending on the facts, circumstances, and market analysis performed prior to a bond issue, the district will consider the best approach to meet its needs. Historically, the district initiates a process every few years to competitively select a financial services firm. The last competitive selection for an investment banker took place in May 2006.*

- 4.2 *The district will review and revise purchasing practices as needed to ensure compliance with the Board of Education purchasing policy. In addition, the district will review the purchasing policy to ensure it addresses the time frames for bid thresholds and provides clear direction for sole source providers. Procedures will be revised accordingly to require sufficient documentation to support a sole source determination.*

*The Board of Education purchasing policy was revised in July 2014, to correct an inconsistency in bid thresholds. It was approved on first reading by the Board of Education at that time. The second reading is currently pended while the district completes the final review. The correct, current bidding/purchasing procedure and practice continues as established prior to the change.*

- 4.3 *The district will review current practices and develop procedures describing circumstances that warrant a written contract to ensure*



## Joplin Schools Management Advisory Report - State Auditor's Findings

*that services are delivered with clear, accountable expectations. The procedures will include the proper monitoring of contract requirements.*

*The district is in the process of fulfilling the grant reporting requirements for the \$1 million grant cited.*

*The district has requested proper documentation to more fully clarify and substantiate the payments made on the structural steel and construction management contracts.*

## 5. Sunshine Law

The district did not always comply with the Sunshine Law.

### 5.1 Sunshine law requests

The district did not adequately document justification for Sunshine Law fees charged prior to November 2013. In addition, while we did not identify specific concerns with the tracking of Sunshine Law requests, the district does not maintain a log of public requests to ensure all requests are handled in compliance with the Sunshine Law.

We noted 3 instances where it is not clear how the district determined the hourly rate charged for research and duplication for a Sunshine Law request. In all 3 instances (July, August, and October 2013), requests for documents were charged at \$18 per hour for research time and there is no documentation showing how this rate was calculated. In another instance, in September 2013, the district estimated fees for a request to be charged at approximately \$150 total, but did not document the estimated number of hours to be spent for research/duplication activities or the estimated number of copies to be provided. This request was ultimately withdrawn.

Section 610.026, RSMo, allows a maximum of 10 cents per page plus an hourly fee for copying public records, not to exceed the average hourly rate of pay of clerical staff, plus the actual costs incurred for any research time for processing the request. To ensure fair and equitable treatment of citizens, the district should ensure its charges for records requests are in compliance with state law and district policy and calculations of charges are properly documented. To ensure compliance with state law, the district should document adequate information in a log to determine if requests are completed timely and all requests are adequately completed. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated cost.

### 5.2 Closed meetings

The Board did not make public the results of some votes taken and the final disposition of matters discussed in closed meetings, when required.



## Joplin Schools Management Advisory Report - State Auditor's Findings

- On January 12, 2012, the Board voted to begin negotiation for a land purchase. The final contract purchasing the land was not approved by the Board or disclosed in the open minutes.
- On March 27, 2012, the Board voted and approved to sell a Franklin Technical Center built house. The district did not disclose the approval of this real estate sale in open minutes.
- On April 21, 2014, the Board voted and approved a settlement agreement with a vendor. The district did not make public the approval of the settlement agreement.
- The Board did not provide final approval in open session to some contracts approved in closed session. These contracts included the Superintendent's contract and various construction contracts entered into after the May 22, 2011, tornado.

Chapter 610.021, RSMo, provides that after a closed meeting, the governmental body must make any votes or decisions public or available to the public, depending on the reason for the meeting.

## Recommendations

The Board of Education:

- 5.1 Document compliance with the Sunshine Law regarding fees charged, consistently charge fees for Sunshine Law requests, and establish a public request log.
- 5.2 Ensure votes taken and decisions made in closed meetings are properly made public when required.

## Auditee's Response

*The Board of Education provided the following written responses:*

- 5.1 *The district has implemented changes to document compliance, consistently charge fees, and establish a public request log of Sunshine Law information requests.*
- 5.2 *The district will review procedures and practices currently in place with a citizens' panel to determine the best path going forward related to this recommendation. Historically, the district has released results of closed session publicly disclosable votes when requested by the public to satisfy Sunshine Law requirements. However, further discussion with our community on this topic is important to ensure we are consistent with reasonable community expectations.*

## Auditor's Comment

- 5.2 Public disclosure of votes taken and decisions made in closed meetings is a requirement under the Sunshine Law. Approval of



## Joplin Schools Management Advisory Report - State Auditor's Findings

settlements under Section 610.021(1), as well as purchase and sale of land under Section 610.021(2), require votes to be "made public" upon final disposition or execution. The release of these votes only upon request does not satisfy the requirement of the statute that upon approval or execution the votes must be made public. Made public requires more than waiting for a request to be made. Furthermore, because the general public would not have sufficient information to know what occurred in closed session to make such a request, disclosure only upon request defies the intent of the statute.

### 6. Bright Futures Joplin

Improvements are needed in the handling of inventory at the BF Joplin store and distribution center. BF Joplin was established in 2010 to improve student graduation rates and operate various programs to support students and their families in need. As the BF program became larger and gained more recognition and interest, other school districts wanted to implement a similar program. As a result, a national not-for-profit organization, Bright Futures USA, was created in July 2011. BF Joplin is an activity fund of the school district, budgeted as part of the district's General Fund, and remains a separate entity from Bright Futures USA.

BF Joplin distributes items to students identified by staff that are in need of basic necessities such as shoes and clothing. BF Joplin operations include maintaining a distribution center to distribute donations received from the community and operating a district store selling merchandise to support the BF Joplin activities.

#### Store

Store inventory is not reconciled to merchandise purchases and sales and periodic physical inventories are also not conducted by district personnel. The last inventory completed was in July 2012, when the store opened. Store sales totaled \$9,844 for the year ended June 30, 2014.

#### Distribution center

A physical inventory is not taken of distribution center items. The distribution center is maintained to accept donations and is kept separately from the store. BF Joplin personnel assign a value to the donations based on Goodwill Industries International, Inc. determined values. They track the value of items disbursed and received by month. However, they do not maintain a perpetual inventory record and do not perform periodic inventories.

Effective inventory internal controls require maintaining perpetual records of all inventory items and performing a reconciliation of the balances obtained during the physical inventory count and the balances recorded on the perpetual inventory records. Loss, misuse, or theft inventory may go undetected without adequate records and documented reconciliations.



Joplin Schools  
Management Advisory Report - State Auditor's Findings

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## Recommendation

The Board of Education ensure procedures are developed to periodically reconcile inventory on hand to the purchases/donations and sales/distributions of store merchandise and distribution center donations.

## Auditee's Response

*The Board of Education provided the following written response:*

*The district agrees that the proper level of internal controls is needed for all store operations and inventories in order to safeguard funds and inventory, and properly account for transactions. (Also described in responses 3.1 & 3.2.)*

*The district plans to close the Bright Futures Joplin store after final accounting is complete, including an ending inventory count. Remaining inventory will be merged with the high school student store operation. A single, efficiently operated student store will provide significant educational value.*

*The distribution center was established out of necessity in 2011 following the tornado disaster. Large quantities of student clothing were generously donated to meet students' basic needs. Recent operations have been reviewed by management. The district has determined the distribution center has served its original purpose. The current plan is to wind down operations and discontinue the distribution center when the administration operation moves to the Memorial location in May. Staff will conduct an ending inventory count and determine the most proper way to account for the disposition of the ending inventory. Student needs will continue to be identified and met by assistance from the Joplin community.*

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## 7. Attendance

The district's attendance system does not adequately track some changes made to attendance records, 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).

District procedures require recording of daily student attendance in the attendance system by each teacher or by a school secretary when a teacher is absent. The attendance secretary runs a report to ensure all attendances have been entered. Changes after that day have to be made by the attendance secretary. However, changes to the daily attendance records can be made anytime for the current school year by the attendance secretary. In addition, the system has the ability to track these changes but this feature has not been utilized. 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.





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Joplin Schools  
Management Advisory Report - State Auditor's Findings

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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.

## Recommendation

The Board of Education should 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 Board should also require an audit trail of changes made to attendance data be prepared and reviewed for accuracy.

## Auditee's Response

*The Board of Education provided the following written response:*

*The district agrees that reviewing and correcting attendance data is necessary to ensure accuracy before it can be certified to the Department of Elementary and Secondary Education (DESE). Improved control and reporting capabilities were implemented at the beginning of the second semester on January 5, 2015, with the activation of the attendance software system auditing feature. All attendance changes are recorded and subject to review.*

*Current control by the attendance software system, that limits all teacher access to 24 hours for the day of record, will be continued. The system allows two access period options: 24 hours or all year. Office administrators have access to correct attendance all year, monitored by the auditing feature.*

*Changes made to attendance data through the year will be reviewed by another administrator on a regular basis for accuracy. A properly designed internal control system with segregation of key duties can also preserve the integrity of the system to accurately record and report attendance. The district will continue to evaluate and develop the best practice for this procedure and provide sufficient training to staff throughout the district.*

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## 8. Student Promotion and Retention

The district's promotion and retention practices are not fully compliant with state law.

Eleven 4th grade students reading below the 3rd grade level at the end of the 2013-2014 school year were not required to attend summer school and were promoted to the 5th grade. A district official indicated it is highly suggested at-risk students attend summer school, but it is not mandatory, although summer school attendance is required by statute. Since the parents refused and because the district did not require these students to attend summer school they had no opportunity to receive additional reading instruction and improve their reading level prior to entering the 5th grade.



## Joplin Schools Management Advisory Report - State Auditor's Findings

Section 167.645, RSMo, addresses student reading assessments, reading improvement plans, and additional reading instruction for students grades 3 through 6. The statute also includes mandatory summer school and retention requirements for 4th grade students whose reading skills are more than one grade level below their current grade level. In addition, Board policy IKE indicates "State law requires that all students who are reading below a third-grade reading level according to the district's fourth-grade reading assessment shall be retained if the student has not adequately improved by the end of summer school. Further, if a student fails to attend remediation assigned as a condition of promotion, the student will be retained."

### Recommendation

The Board of Education comply with state law and Board policy regarding student promotion and retention.

### Auditee's Response

*The Board of Education provided the following written response:*

*The district agrees that effective interventions for students that have significant reading deficiencies are critically important. To further supplement current district interventions provided to students, the district will mandate summer school attendance for elementary students who are more than one grade level behind in reading.*

*The Board of Education Policy IKE will be reviewed and revised as necessary to address the issue.*

*The district will continue to implement reading interventions through the school year, both during and outside the school day, to ensure students are making adequate progress in their reading goals.*

## 9. Capital Assets, Fuel Usage, and Mileage Logs

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

### 9.1 Capital assets

The district's capital asset listing is not complete, accurate, or updated timely. In addition, an annual physical inventory of district assets has not been performed since 2010. As a result, district assets are more susceptible to theft or misuse. According to a district official, the value of the district's buildings and contents from their insurance company schedule of values prior to the May 22, 2011, tornado was approximately \$182 million.

These issues were further complicated by the tornado. The capital asset listing does not include more than \$11.7 million in capital assets purchased after the tornado. These purchases are separately tracked in total, but no listing of the individual assets purchased was created due to the large volume of assets acquired. In addition, as a result of the tornado, numerous



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## Joplin Schools Management Advisory Report - State Auditor's Findings

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capital assets were destroyed and these items have not been deleted from the district's capital asset listing.

Adequate capital asset records are necessary to secure better internal control over district property and provide a basis for determining proper insurance coverage on district property. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as acquisition cost, descriptions, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the district should conduct annual physical inventories and compare the results to detailed records.

### 9.2 Vehicle and fuel use

The district's controls and procedures over fuel use and purchases need improvement. The district utilizes 2 bulk fuel tanks for its 92 buses, 4 vehicles, and multiple pieces of equipment. In addition to maintaining bulk fuel tanks, 9 fuel cards are available to staff for use on out-of-town trips. The district purchased approximately \$400,000 in fuel during the 2013-2014 school year.

The district does not reconcile fuel purchased for bulk tanks to usage recorded on district mileage logs. In addition, for 2 of 9 fuel cards, charge receipts for fuel purchases are not reconciled to fuel card statements. For these 2 cards checked out for use in the administrative pool vehicles, forms documenting mileage, the purpose of the trip, and the fuel charge receipts are sent to the transportation department from the administration department, but neither department is performing a reconciliation of fuel charge receipts to the fuel card statements.

Failure to reconcile fuel used to fuel purchased could result in theft and misuse going undetected. In addition, to ensure the propriety of fuel purchases a reconciliation of charge receipts to fuel card statements should be performed.

### 9.3 Mileage logs

The district's mileage logs are not always complete. We determined mileage logs for the district's 2 GMC Yukons were incomplete. There are entries that did not include the location of the trip, purpose of the trip, and starting and ending mileage. In addition, a log was not maintained for the mileage of these vehicles for the first 6 months the district owned them. Per district officials, these vehicles were purchased in December 2011, to transport small groups of students (e.g. sports teams) to various functions not requiring use of a larger district bus. They were also utilized by administration and staff when traveling in small groups to the same location (e.g. conferences, meetings, training, etc.). In total, 9,176 miles driven between July 2012 and June 2014 for these 2 vehicles were not included on



Joplin Schools  
Management Advisory Report - State Auditor's Findings

mileage logs. Without adequately detailed mileage logs we cannot determine if these vehicles were used for their intended purpose.

Complete mileage logs are necessary to document the appropriate use of vehicles, and to support fuel charges.

## Recommendations

The Board of Education:

- 9.1 Ensure a complete and detailed capital asset record is maintained. In addition, the Board should ensure an annual physical inventory is performed and compared to records.
- 9.2 Ensure a periodic reconciliation of fuel purchased to fuel used is performed, and any significant discrepancies are investigated. In addition, fuel charge receipts should be reconciled to fuel card statements.
- 9.3 Ensure mileage logs are kept for all vehicles and all logs are complete.

## Auditee's Response

*The Board of Education provided the following written responses:*

- 9.1 *Prior to the tornado, a process of full accounting of district assets was a regular part of district protocol. The district was in the initial implementation stage of a new financial software system at that time. The payroll and financial accounting software modules were fully operational. Following the tornado, implementation of the new fixed asset module was deferred in order to deal with the significant administrative burden assumed by the district to address the immediate and longer-term issues related to the disaster recovery. There were approximately 19 separate moves of faculty and staff during the post-tornado period.*

*The district will complete its update to the existing fixed asset database and consolidate asset records maintained outside of that system. A district-wide physical inventory will be performed to ensure the records are complete. Once the records are updated, an annual physical inventory will be performed and compared to the records.*

- 9.2 *To ensure accuracy, the district expanded the fuel card reconciliation process to include all cards issued. The district is also developing a solution to ensure proper controls and procedures for bulk fuel tank usage, which primarily services the entire bus fleet and some district trucks. An efficient, effective*



Joplin Schools  
Management Advisory Report - State Auditor's Findings

*control system will be established to record the user and vehicle as fuel is dispensed.*

- 9.3 *The district has reviewed mileage log usage and implemented corrective procedures to ensure that complete mileage logs are maintained for all vehicles.*

## **10. Personnel Policies and Procedures**

We identified concerns relating to employee qualifications, stipends, and travel policies.

### **10.1 Employee qualifications**

Some employees do/did not possess the minimum required qualifications listed on their position's job description. Two of five employees reviewed do/did not meet the minimum qualifications and there was no documentation supporting the district's acceptance of other qualifications or experience in lieu of the stated requirements. One position requires an administrator's and Parent as Educator's Certificate which the employee does not have. The district transferred this employee to the position in July 2011. The district is aware the individual does not meet the minimum certifications for this position, so the position's supervisory duties are assigned to the employee's supervisor. The employee receives approximately \$76,800 per year for the position and is still working toward meeting the qualification requirements.

Another individual was hired for a position that required a Special Education Administrator's Certificate. The employee did not have this certification. The employee started this position in July 2011, and was transferred in February 2014, to a new position for which the individual is qualified. This individual has the same salary of \$100,900 per year before and after changing positions.

While different qualifications and work experience may be accepted in lieu of stated requirements, written documentation was not prepared at the time of hiring or transfer/promotion indicating this situation for these individuals. To ensure personnel actions are handled appropriately and in accordance with Board policies, adequate documentation should be maintained for all personnel hiring decisions.

### **10.2 Mileage stipends**

The district has not documented the basis for administrative employee mileage stipends intended to compensate employees for driving personal cars within the district to conduct district business. Mileage incurred outside the district is compensated through employee expense reimbursements. The administrative mileage stipend amounts are assigned by position and have not been reviewed since at least 2011.

The district paid 33 administrative employees a total of \$33,170 for mileage stipends during the 2013-2014 school year. Stipends range from \$46 to



## Joplin Schools Management Advisory Report - State Auditor's Findings

\$3,393 per year. For example, one administrator received the largest stipend of \$3,393 per year. Using the district's current mileage reimbursement rate of 51 cents per mile, this stipend represents approximately 550 miles traveled per month.

While all payments made were reported as taxable income, the district should periodically review the reasonableness of the mileage stipend paid and, if necessary, adjust the allowances to reasonably reflect the actual expenses incurred by the employees on behalf of the district.

### 10.3 Travel and cell phone stipend policies

The district does not have a travel policy to address meal allowances, mileage reimbursements, mileage stipends, and submission of related supporting documentation. In addition, the district's cell phone policy is out of date.

Per a district official, the district was working on a draft travel policy prior to the May 22, 2011, tornado, but due to the tornado the policy was never finalized. The district expended \$345,877, \$302,860, and \$349,952 for the 2011-2012, 2012-2013, and 2013-2014 school years, respectively, for travel.

In addition, the district has not updated its cell phone stipend policy since 2010 or reviewed to ensure that the monthly stipend amounts and employees receiving the stipend are appropriate. Stipends range from \$30 to \$100 per month depending on the employee's position and type of phone required. The district spent \$23,162 on these stipends for 2013-2014 school year.

A travel policy should be adopted to ensure the district pays for actual and reasonable travel expenses. The policy should outline items such as daily meal allowances, mileage stipends, acceptable hotel rates, and mileage reimbursement rates. In addition, the policy should outline the documentation required to be submitted for expenses. Also, the cell phone stipend policy should be updated to ensure stipend amounts and employees receiving the stipend are appropriate.

## Recommendations

The Board of Education:

- 10.1 Hire personnel that meet the minimum qualifications for the position and adequately document any decisions made that deviate from policy.
- 10.2 Review mileage stipends and set the stipends to reasonably reflect the actual expenses incurred by the applicable employees.
- 10.3 Prepare a written travel policy. In addition, the Board should review and update the district's cell phone stipend policy.



Joplin Schools  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Board of Education provided the following written responses:*

- 10.1 *The district is implementing a process to match and document candidate qualifications with respect to position requirements. The process will require that adequate supporting documentation is retained to support all personnel hiring decisions.*
- 10.2 *The district will annually review and approve reasonable allowances for cell phones and mileage.*
- 10.3 *The district will update and complete a comprehensive travel policy and related procedures. In addition, the existing policy/schedule for cell phone allowances will be reviewed and updated.*

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## 11. Internal Audit Function

The district does not have an internal audit function to audit its numerous cash collection points and compliance and policy requirements. If utilized properly, the internal audit function can assist management in performing its duties more efficiently and effectively, and the savings could potentially exceed the cost. In addition, an internal audit function can enhance the district's annual external audit by providing valuable information to those auditors and ensuring the district has strong internal controls and accounting procedures in place. An effective internal audit function could have helped in discovering and/or resolving many of the accounting and procedural control weaknesses, and policy and compliance issues addressed in this report.

## Recommendation

The Board of Education consider appointing an internal auditor to conduct audits of district operations and activities.

## Auditee's Response

*The Board of Education provided the following written response:*

*The district agrees that an internal audit function could provide value with emphasis on verifying the level of staff compliance with district policies and procedures, identifying opportunities to strengthen the internal control system, and evaluating ways to improve operational efficiency.*

*As the fiscal year 2015-2016 budget is developed, the district will evaluate ways to provide a practical solution. Reallocating a small portion of existing resources will be considered to establish a limited district-wide internal audit function.*

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# Joplin Schools

## Organization and Statistical Information

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The Joplin Schools is located in Jasper and Newton Counties.

The district operates a senior high school (grades 9-12), a technical school, 3 middle schools (grades 6-8), 11 elementary schools (grades K-5), the Early Childhood Center, and an alternative school serving Joplin Schools and 16 additional school districts. On May 22, 2011, Joplin was struck by an EF-5 tornado resulting in 158 deaths and more than 900 injuries and damaging or destroying many of the schools within the district. The district entered into multiple operating lease agreements to rent property for use as temporary schools and some schools were divided into separate locations during this transition period. As of June 30, 2014, the district had rebuilt 2 elementary schools and a middle school and completed several new community safe rooms. As of December 2014, the district is in the process of completing the high school/technical center, as well as several additional community safe rooms.

Enrollment was 7,780 for the 2013-2014 school year. The district employed 968 full- and 194 part-time employees, as well as 280 substitutes (teachers, nurses, bus drivers, secretaries) at June 30, 2014.

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

### Board of Education

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. Board of Education members at June 30, 2014, were

Anne Sharp, President  
Michael D. Landis, Vice-President  
Jim Kimbrough, Member  
Randy Steele, Member  
Dawn Sticklen, Member  
Lynda Banwart, Member  
Deb Fort, Member

### Superintendent

The district's superintendent at June 30, 2014, was Dr. C.J. Huff. His annual compensation totaled \$182,975 including an annual salary of \$177,275, a \$4,500 retirement account, and a \$1,200 annual cell phone stipend. He was also provided a district vehicle that he is allowed to use anywhere in the state or within 500 miles if outside the state. The superintendent's compensation is established by the Board of Education.





Joplin School District  
Organization and Statistical Information

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Financial Activity

A summary of the district's financial activity for the year ended June 30, 2014, and disaster recovery funding and expenditures from May 22, 2011, through December 31, 2014,<sup>2</sup> follows:

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<sup>2</sup> Disaster recovery funding and expenditures are presented as of December 31, 2014, to provide more current and comprehensive disaster recovery financial information.

Appendix A

Joplin Schools

Statement of Revenues Collected, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2014

	General (Incidental) Fund	Special Revenue (Teachers') Fund	Debt Service Fund	Capital Projects Fund	Totals
<b>REVENUES COLLECTED</b>					
Local	\$ 26,519,868	7,885,811	8,118,026	4,910,462	47,434,167
County	988,184	201,064	392,010	0	1,581,258
State	4,663,987	15,594,588	0	857,786	21,116,361
Federal	6,969,123	2,688,254	0	879,171	10,536,548
Other	26,106	1,066,617	0	0	1,092,723
<b>TOTAL REVENUES COLLECTED</b>	<b>39,167,268</b>	<b>27,436,334</b>	<b>8,510,036</b>	<b>6,647,419</b>	<b>81,761,057</b>
<b>EXPENDITURES</b>					
Instruction	6,223,898	30,455,105	0	1,159,825	37,838,828
Student services	885,945	1,254,883	0	0	2,140,828
Instructional staff support	1,870,892	2,078,787	0	532,899	4,482,578
Building administration	891,362	1,809,620	0	0	2,700,982
General administration	2,388,567	256,320	0	103,186	2,748,073
Operation of plant	9,734,458	0	0	0	9,734,458
Transportation	2,502,676	0	0	619,353	3,122,029
Food service	2,981,113	0	0	74,960	3,056,073
Adult basic education	36,821	163,203	0	0	200,024
Adult continuing education	658,841	1,021,341	0	2,158	1,682,340
Community services	788,710	18,737	0	11,550	818,997
Facilities acquisition and construction	0	0	0	109,732,460	109,732,460
Debt service	0	0	7,690,411	0	7,690,411
<b>TOTAL EXPENDITURES</b>	<b>28,963,283</b>	<b>37,057,996</b>	<b>7,690,411</b>	<b>112,236,391</b>	<b>120,124,232</b>
<b>EXCESS (DEFICIT) OF REVENUES COLLECTED OVER EXPENDITURES</b>	<b>10,203,985</b>	<b>(9,621,662)</b>	<b>819,625</b>	<b>(105,588,972)</b>	<b>(38,363,175)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	0	9,621,662	0	3,771,200	13,392,862
Operating transfers (out)	(13,392,862)	0	0	0	(13,392,862)
Net insurance recovery	0	0	0	3,210,762	3,210,762
Sale of other property	0	0	0	500	500
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(13,392,862)</b>	<b>9,621,662</b>	<b>0</b>	<b>6,982,462</b>	<b>3,211,262</b>
<b>EXCESS (DEFICIT) OF REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<b>(3,188,877)</b>	<b>0</b>	<b>819,625</b>	<b>(98,606,510)</b>	<b>(100,975,762)</b>
FUND BALANCE, July 1, 2013	10,220,140	0	6,649,181	107,183,484	124,052,805
FUND BALANCE, June 30, 2014	\$ 7,031,263	0	7,468,806	8,576,974	23,077,043

Source: District's independent CPA audit report for the year ended June 30, 2014. Information presented on a modified cash basis.

Appendix B

Joplin Schools  
Summary of Disaster Recovery Funding and Expenditures  
Period of May 22, 2011 through December 31, 2014

	Disaster Recovery Expenditures			Disaster Recovery Funding										
				Received						Remaining Anticipated Funding				Total Anticipated Funding
	Total Expenditures	Remaining Estimated Costs (1)	Total Estimated Cost (8)	Insurance	FEMA Funding	State Funding (2)	Stormwater and Streets Funding from City of Joplin	CDBG Grant	Bond Proceeds and Donations	FEMA (3)	SEMA (4)	CDBG	Donations	
<b>BUILDING:</b>														
Irving Elementary	\$ 18,763,742	221,097	18,984,839	\$ 5,700,000	3,257,946	0	0	0	0	\$ 3,292,005	753,967	0	0	\$ 13,003,918
East Middle School/Soaring Heights Elementary	53,036,468	487,061	53,523,529	24,440,000	8,979,244	43,200	0	0	0	4,912,327	1,616,043	0	0	39,990,814
Joplin High School/ Franklin Technical School	127,668,431	12,109,955	139,778,386	55,784,229	9,025,139	1,417,929	2,140,470	0	0	17,294,551	2,749,319	0	0	88,411,637
Community safe rooms	26,458,745	4,841,255	31,300,000	0	11,712,019	0	0	1,093,823	0	4,602,451	0	1,706,177	0	19,114,470
Administration	1,473,581	0	1,473,581	486,978	241,714	0	0	0	0	0	32,228	0	0	760,920
<b>NON-LOCATION SPECIFIC FUNDING:</b>														
Temporary leases, professional services, and projects (5)	8,967,254	0	8,967,254	5,257,437	2,052,044	38,871	0	0	0	1,830,984	517,737	0	0	9,697,073
Furnishings and capital assets (6)	13,719,190	1,300,000	15,019,190	15,300,102	0	0	0	0	0	0	0	0	0	15,300,102
Bond proceeds (7)	0	0	0	0	0	0	0	0	68,127,251	0	0	0	0	68,127,251
Donations	0	0	0	0	0	0	0	0	2,824,063	0	0	0	50,000	2,874,063
<b>Totals</b>	<b>\$ 250,087,411</b>	<b>18,959,368</b>	<b>269,046,779</b>	<b>\$ 106,968,746</b>	<b>35,268,106</b>	<b>1,500,000</b>	<b>2,140,470</b>	<b>1,093,823</b>	<b>70,951,314</b>	<b>\$ 31,932,318</b>	<b>5,669,294</b>	<b>1,706,177</b>	<b>50,000</b>	<b>\$ 257,280,248</b>

(1) Remaining estimated costs are only included for the building replacement projects, community safe rooms, and furnishings and capital assets. Because some projects are still in progress, other minimal unknown expenses may still be incurred.

(2) State funding authorized by the Governor to offset the decrease in property tax revenues as a result of the decrease in the district's property tax base.

(3) The FEMA funds are 75 percent of the expenditures that the FEMA approves. Some of these monies have been applied for but are still being processed by the FEMA. Other monies, approximately \$8.4 million, are anticipated by the district but not yet approved and obligated by the FEMA. Short-term financing totaling \$37 million was requested in August 2014 to cover construction expenses as they come due, but before the district receives final FEMA reimbursements. As reimbursements from FEMA are received the financing is repaid. As of December 31, 2014, the balance of the loan was \$23,280,000. The district anticipates requesting an additional \$14 million in short-term financing in March 2015.

(4) SEMA funding is 10 percent of the FEMA approved funding. SEMA funding will not be received by the district until after all of FEMA money is received. Again, short-term financing was/will be obtained in the interim.

(5) The temporary leases are for one of the buildings that the district rented during the period that the new facilities were under construction. Professional services include services provided to the district by FEMA and insurance consultants. The other projects include modifying the leased facility to make it usable for the district as well as demolition costs, replacement/repair of partially damaged facilities, and modular utility hookups.

(6) These items are capital asset purchases that the district tracked after the tornado and purchases of smaller furnishings, supplies, library books, and textbooks not capitalized.

(7) Bonds were issued for the purpose of acquiring, constructing, repairing, improving, furnishing, and equipping school facilities. The bond monies were used district-wide and are not tied to a specific buildings.

(8) Total estimated costs exceed total anticipated funding by approximately \$11.8 million. The shortfall was covered by existing fund balances of both the district's General and Capital Projects Funds which have contributed to the declining fund balances discussed in MAR finding number 1.