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Missouri State Auditor

Marshall Public Schools

Report No. 2021-073

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Marshall Public Schools

District Compensation	District employees received stipends that were not approved by the Board of Education and additional compensation provided to an employee was questionable. District personnel did not adequately review payroll entries and timesheet calculations for accuracy, resulting in over- and underpayments to some employees.
Accounting and Cash Handling Controls and Procedures	The Board and the Superintendent have not adequately segregated accounting duties or ensured documented independent reviews over various financial accounting functions in the Central Office and the Saline County Career Center. Weaknesses exist in receipting, transmitting, and depositing of money received. Tickets are not issued to athletic event attendees or a tally sheet kept to reconcile collections to deposits. The district does not reconcile concession or bookstore sales to deposits, nor require inventory records of items purchased, sold, and on hand to be maintained and reconciled to concession or bookstore receipts. The district does not have a list of approved change funds or a written policy regarding change funds. In addition, petty cash fund practices do not always comply with established administrative procedures.
Procurement and Disbursement Procedures	The district has not periodically solicited proposals for professional services including legal services and audit services or formally evaluated those services. Employee reimbursement and petty cash disbursements do not always comply with established administrative procedures. The district does not monitor purchasing card transaction limits and limits for some individuals are excessive.
Board Meeting Minutes	Reasons cited in open meeting minutes for going into closed session did not reflect topics actually discussed and/or topics discussed were unallowable for some closed meetings held.
Electronic Data Security	District officials have not established sufficient controls for maintaining user accounts for accessing system resources. The Superintendent, Assistant Superintendent, District Bookkeeper, Accounts Payable Clerk, and Director of Special Services have more access in the accounting system than required for their job duties.

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.

Marshall Public Schools

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Board of Education
Marshall Public Schools

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Marshall Public Schools. We have audited certain operations of the school district in fulfillment of our duties. The district engaged Gerding, Korte & Chitwood, P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2020. 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, 2020. The objectives of our audit were to:

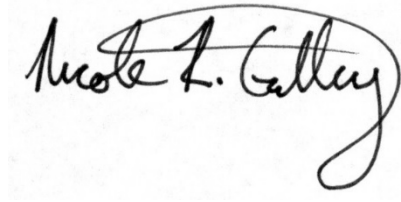
1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. 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 applicable 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 the audited financial statements 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 Marshall Public Schools.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kelly Davis, M.Acct., CPA, CFE
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Marshall Public Schools

Management Advisory Report

State Auditor's Findings

1. District Compensation

Board oversight over Marshall Public Schools (district) employee compensation needs improvement. District employee compensation totaled approximately \$14.9 million for the 2019-2020 school year. We judgmentally selected 62 out of 371 employees, including hourly and salaried employees, to review personnel files and related payroll disbursements for one pay period during the 2019-2020 school year.¹

1.1 Stipends and supporting documentation

District employees received stipends that were not approved by the Board and additional compensation provided to an employee was questionable.

- The district did not include several extra duty stipends on Board approved salary schedules and the Board did not otherwise approve the stipends. The district paid these extra stipends during October 2019, totaling approximately \$2,493, for 8 of the 62 employees reviewed. These stipends included additional pay for detention supervision, summer curriculum writing, substituting duties, and other additional tasks or support. While the Board meeting minutes authorized a total dollar amount for summer curriculum writing, the meeting minutes did not contain any detail of the rate of pay or personnel authorized for this stipend.

Central Office personnel indicated these duties were only temporary and not paid throughout the year like other duties so they did not include them on the approved salary schedules. They also indicated the temporary duties are assigned and approved by the school building principal and the superintendent.

- The district provides \$40 per month, mobile phone stipends to some employees that have not been established by district policy. In addition, the district does not have a formal documented process or criteria for determining which employees will receive the stipends. Mobile phone stipends totaled approximately \$15,280 for the 2019-2020 school year. District personnel indicated the Board approves the phone allowances when the school budget is approved, and employees that travel from building to building throughout the district receive them, but no one could provide documentation of this determination.
- Another payment to one employee was not supported and was questionable. In September 2019, the Board approved an additional payment of \$1,500 to an employee for working 10 extra days beyond his/her contract term for the 2018-2019 school year. Per the contract terms, the individual was to begin performance on August 1, 2018, and

¹ Due to the nature of the sample, the results of our review cannot be projected to the population.



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complete performance to the satisfaction of the district on a date to be subsequently determined by mutual agreement of the parties but in no event beyond July 31, 2019. The contract does not specify the total number of days to be worked and district personnel could not provide supporting documentation of any additional work performed or the dates/times of the extra days worked. The employee was also awarded a new contract for the 2019-2020 school year and began receiving compensation per the new contract terms effective July 1, 2019. This contract should have covered any period of work after the 2018-2019 school year contract. Neither the Superintendent nor the Board required the employee to provide supporting documentation of the extra days worked before the Board approved the payment.

Board approval of all compensation, including stipends and salary schedules, is necessary to ensure all employees are treated fairly and equitably, and payments are reasonable. In addition, maintaining adequate supporting documentation is necessary to support all compensation decisions.

1.2 Review of payroll entries and manual calculations

District personnel did not adequately review payroll entries and timesheet calculations for accuracy, resulting in over- and underpayments to 4 of the 62 employees reviewed.

- The district paid two employees the incorrect amount for their extra duty positions because the District Bookkeeper/Payroll Clerk used the wrong rate from the Board approved pay schedule. In total, for the 2019-2020 school year, one employee was underpaid by \$1,252 and the other by \$714.
- The district paid one employee at the incorrect hourly rate, resulting in an overpayment of \$239 for the pay period reviewed.
- One employee erroneously calculated his/her total hours worked on his/her timesheet for an extra duty position and the error was not detected by the District Bookkeeper/Payroll Clerk or the employee's supervisor. As a result, the employee was overpaid \$40 for the pay period reviewed.

District personnel did not recognize the importance of performing independent reviews of the monthly payroll transactions prepared by the District Bookkeeper/Payroll Clerk before processing payroll and making disbursements. Also, the payroll process is not adequately segregated as discussed in MAR finding number 2.1. Adequate review of payroll disbursements is necessary to ensure all payroll transactions are accurate, accounted for properly, and salaries are calculated consistently in accordance to contracts and salary pay schedules. Without detailed reviews of payroll documentation there is less assurance payments to employees are accurate.



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Recommendations

The Board of Education:

- 1.1 Provide additional oversight and approval regarding compensation decisions and ensure all payments to employees are reasonable and have adequate supporting documentation.
- 1.2 Perform independent reviews of timesheets and payroll entries to ensure all payments to employees are accurate and paid in accordance to contract and salary schedules.

Auditee's Response

- 1.1 *The district will implement policy recommendations to require Marshall Public Schools (MPS) Board of Education approval of all stipends, to include identification of individuals receiving the pay and the amount expended. Stipends for detention and substitution work done by teachers will be added to the extra-duty salary schedule.*

The MPS Board of Education will adopt an annual policy listing the positions eligible for cell phone stipends. The individuals assigned to those positions and who are therefore eligible for the cell-phone stipend will be included in the minutes at the beginning of each fiscal year. Individual contracts or work agreements for eligible employees include the stipend and the amount. The positions for which a cell-phone stipend is paid are the superintendent, assistant superintendent, special education director, director of teaching and learning, principals, activities director, Saline County Career Center director, director of transportation, director of distribution, school resource officers, custodial director, maintenance director, technology personnel, bus mechanic, maintenance personnel, director of buildings and grounds, and social worker.

By hiring an additional Human Resources (HR) central office position, the district will provide additional oversight and approval regarding compensation decisions to ensure all payments to certificated and classified employees are reasonable and have adequate supporting documentation.

- 1.2 *By purchasing an electronic time clock system, the district will perform independent reviews of timesheets and payroll entries to ensure all payments to employees are accurate and paid in accordance to contract and salary schedules.*



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2. Accounting and Cash Handling Controls and Procedures

The district's handling of student and athletic fees and concession and bookstore receipts needs improvement. These receipts are at greater risk because a large portion is received in cash, and there are a variety of handling and record-keeping methods throughout the schools. As a result of control weaknesses, there is less assurance these receipts have been handled and accounted for properly. In March 2021, we reviewed cash controls and procedures at all district schools. The Central Office deposits all receipts for the school buildings with the exception of Marshall High School and the Saline County Career Center (SCCC). Personnel from those schools deposit those receipts.

2.1 Segregation of duties

The Board of Education and the Superintendent have not adequately segregated accounting duties or ensured documented supervisory or independent reviews over various financial accounting functions in the Central Office and the SCCC are performed.

The District Bookkeeper at the Central Office is responsible for most financial duties of the school district including receipting payments, preparing deposits, performing the bank reconciliations, and processing payroll. There is no independent review of receipt and deposit records, bank reconciliations, and payroll transactions and related reports to ensure the transactions are accurate and appropriate. The Administrative Assistant at the SCCC is responsible for most financial duties at the Careers Center including receipting payments and preparing deposits. No independent review of receipt and deposit records is performed to ensure all money collected was properly recorded and deposited timely.

District personnel indicated they lack the personnel necessary to adequately segregate duties. Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records should be performed.

2.2 Receipt procedures

Weaknesses exist in receipting, transmitting, and depositing of money received.

Receipt slips

School district employees do not consistently issue receipt slips. In addition, supporting documentation for receipts is not always complete and provided with the transmittals/deposits to the Central Office.

- Spainhower Primary and Benton Elementary school personnel do not issue receipt slips for money received. In addition, personnel at Eastwood Elementary, Northwest Elementary, Southeast Elementary, Bueker Middle School, Marshall High School, and the SCCC do not issue receipt slips for all money received and they do not always note the composition (cash, check, or money order) on the receipt slip. Also, Eastwood



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Elementary personnel do not issue receipt slips immediately upon receipt or sequentially. Receipt slips are typically issued when the transmittal is prepared and backdated to reflect the date received. In addition, starting in the 2020-2021 school year, Northwest Elementary became the Northwest Therapeutic Learning Center and personnel stopped issuing receipt slips when the Secretary transferred to Benton Elementary.

- Receipt slips are not prenumbered at Bueker Middle School, Marshall High School, the SCCC, or the Central Office.
- Elementary school personnel do not provide adequate documentation (receipt slips or receipt logs) to support the receipts transmitted to the Central Office before deposit. In addition, Marshall High School and SCCC personnel deposit receipts, but do not provide adequate documentation to the Central Office to support these deposits.

These internal control weaknesses occurred because district officials indicated they did not recognize the need to develop standardized receipting procedures applicable for each school building within the district. As a result, the transmittals/deposits could not be reconciled to supporting documentation to ensure all payments received were transmitted or deposited.

Restrictive endorsement and
depositing timely

District personnel do not always restrictively endorse checks immediately upon receipt and receipts are not always transmitted or deposited timely or intact.

- Bueker Middle School and SCCC personnel do not endorse checks received upon receipt. School personnel only endorse checks upon preparing the transmittal/deposit slip.
- Elementary and Marshall High School personnel do not always transmit receipts to the Central Office or deposit timely or intact. For example, \$595 transmitted from Eastwood Elementary to the Central Office on October 14, 2020 (deposited on October 15, 2020) included receipts for instruments collected from September 17, 2020. The school secretary indicated school personnel held these receipts until they received all funds for the related purchase and could place the order. In addition, Marshall High School personnel only deposit receipts once a month. School personnel indicated most receipts are collected online and they do not collect a significant number of receipts in person.

Conclusion

By issuing official prenumbered receipt slips in numerical order for all money received, recording the method of payment on the slips, reconciling the composition of receipts to the composition of deposits or transmittals, and restrictively endorsing checks upon receipt, district personnel can better account for all receipts and ensure they are properly deposited. In addition,



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not transmitting and depositing money intact and timely and providing supporting documentation for transmittals and deposits increases the risk of loss, theft, or misuse of funds.

2.3 Event gate sales

Tickets are not issued to attendees of district athletic events or a tally sheet kept to count the number of attendees to reconcile collections to deposits. Without some method of determining attendance, there is no way for the district to reconcile collections to deposits and ensure all receipts are deposited. The district collected approximately \$27,000 in admissions fees for the 2019-2020 school year. District personnel indicated the outdoor events have multiple gates of entry, and it would be difficult to obtain an accurate number of attendees for these events.

Issuing tickets or maintaining a tally sheet to account for attendees and reconciling that information to the money collected is necessary to properly account for event gate receipts and the amount deposited.

2.4 Concessions and bookstore sales

The district does not reconcile concession or bookstore sales to deposits, nor require inventory records of items purchased, sold, and on hand to be maintained and reconciled to concession or bookstore receipts. The Bueker Middle School bookstore provides student classroom supplies for sale. The district collected approximately \$16,900 in concession sales for the 2019-2020 school year. District personnel could not determine the amount of bookstore sales because Bueker Middle School staff did not retain the 2019-2020 bookstore receipt records. They were unaware of the importance of performing these receipting and inventory reconciling procedures for the concessions or bookstore.

By maintaining an inventory of concession and bookstore merchandise purchased, sold, and on hand and reconciling concession and bookstore sales to deposits and inventory changes, district personnel can better ensure the inventory and amounts collected are properly accounted for.

2.5 Change and petty cash funds

The district does not have a list of approved change funds and the authorized balances, or a written policy regarding change funds. In addition, petty cash fund practices do not always comply with established administrative procedures. The Superintendent did not know which buildings had change and petty cash funds, and district officials were not aware of the need to monitor these funds. Cash counts performed on March 1, 2021, identified the following concerns:

- The Bueker Middle School, Marshall High School, and the SCCC do not maintain the change funds at constant amounts.
- The Marshall High School petty cash fund is not maintained separately from the change fund and district personnel were not sure of the



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authorized amount for each fund. As a result, it is not possible to determine if purchase receipt slips and cash-on-hand total the authorized petty cash fund amount. The Marshall High School Activities Secretary indicated school personnel try to keep \$750 in the change/petty cash fund. The cash-on-hand (\$746) plus the total invoices/purchasing receipts (\$589) totaled \$1,335 at the time of our March 2021 cash count. The cash-on-hand exceeded the \$200 maximum allowed by policy for a petty cash fund.

- Marshall High School personnel do not maintain a petty cash ledger documenting receipts, disbursements, and fund balance, and as a result, it is not possible to perform required monthly reconciliations for the petty cash fund.

Maintaining a change fund at a constant amount and periodically counting and reconciling the fund to the authorized balance is necessary to safeguard this money from possible loss, theft, or misuse. The separation of the petty cash fund from the change fund is necessary to properly account for the money in each fund and demonstrate compliance with established petty cash procedures.

Per Administrative Procedure DJB-AP(1), all petty cash accounts must be reconciled monthly, cash-on-hand cannot exceed \$200, and the purchase receipt slips and cash-on-hand must always total the authorized fund amount. Maintaining a petty cash ledger that documents receipts, disbursements, and the balance of the petty cash fund is necessary to properly monitor the fund and to reconcile to the cash-on-hand.

Recommendations

The Board of Education:

- 2.1 Segregate the accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 2.2 Require the issuance of prenumbered receipt slips in sequential order for all student money received, indicate the method of payment, and ensure all receipts are transmitted/deposited intact and timely. In addition, account for the numerical sequence of receipt slips and restrictively endorse checks upon receipt. Ensure the composition of receipts is reconciled to the composition of amounts transmitted or deposited and provide the Central Office supporting documentation for transmittals and deposits.
- 2.3 Ensure gate receipts deposited for all events are reconciled to the paid attendance.



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- 2.4 Require inventory records of items purchased, sold, and on hand be maintained and ensure amounts collected from concession and bookstore sales are reconciled to deposits and changes in concession and bookstore inventory.
- 2.5 Develop written procedures for establishing and maintaining change funds that list the established funds and authorized amounts and requires maintaining the funds at their authorized amounts and periodic counting and reconciliation procedures. Establish a separate fund for petty cash when needed, maintain a petty cash ledger, and ensure petty cash practices comply with established administrative procedures.

Auditee's Response

2.1 *By hiring an additional HR central office position, the district will segregate the accounting duties to the extent possible and implement appropriate reviews and monitoring processes. The administrative assistant at the SCCC has been advised to have a second individual verify and count cash transactions and deposits.*

2.2 *The district has already implemented a newly established administrative procedure that requires the use of prenumbered receipt slips. These receipts will be issued in sequential order for all student money received and will indicate the method of payment. This procedure will ensure that all receipts are transmitted/deposited intact and in a timely fashion.*

The district has already implemented a new method of accounting for the numerical sequence of receipt slips and restrictively endorsing checks upon receipt.

The district will ensure the composition of receipts is reconciled each month to the composition of amounts transmitted or deposited and will provide the accounting department supporting documentation for transmittals and deposits.

2.3 *The district will implement an administrative procedure to ensure that gate receipts deposited for all events are reconciled to the paid attendance. The procedure will include:*

- the use of cameras in ticket booths,*
- implementing the use of a clicker for each paid ticket for attendance, and*
- keeping a list of those who are admitted at no charge.*



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2.4 *The district will implement by an administrative procedure the following requirements prior to the opening of any district concession stand(s):*

- *a written inventory record to be maintained of items purchased, sold, and on hand,*
- *a comparison of the amounts collected from the concession stand and bookstore sales that reconciles deposits and changes in concession and bookstore inventories, and*
- *in the future, an adult will be required in the Bueker Middle School stand at all times.*

2.5 *The district will develop and implement administrative procedures to establish and maintain change funds that lists the established funds and the authorized amounts. The administrative procedure requires the maintenance of funds at their authorized amounts. Monthly counting and reconciling procedures are recorded in the procedure.*

Administrative Procedure DJB-AP(1) has been adopted by the Board of Education requiring that the regulations for petty cash accounts must be reconciled monthly, cash-on-hand cannot exceed \$200, and the purchase receipt slips and cash-on-hand must always total the authorized fund amount.

To maintain compliance with DJB-AP(1), principals will be expected to count, record the current amount in the petty cash fund, and report on the monthly reconciliation of these funds, so there remains \$200 on hand.

3. Procurement and Disbursement Procedures

District procurement and disbursement procedures and practices need improvement.

3.1 Procurement procedures and written contracts

The district has not periodically solicited proposals for professional services including legal services and audit services or formally evaluated those services. The district paid \$9,760 for legal services and \$11,950 for audit services during the 2019-2020 school year. The Superintendent indicated the district has used the same law firm and audit firm for the last 9 years. The Superintendent indicated the district did not obtain competitive proposals for audit services because the current contracted auditor is considered highly skilled as a school auditor. She also indicated the district did not obtain competitive proposals for legal services periodically because lawsuits extend



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over many years. Also, district personnel indicated they received 2 bids for a carpet and installation purchase (\$5,031) for the SCCC conference room, but they could not locate and provide this supporting documentation. As a result, it is unclear whether a competitive bid was obtained, and if the school district received fair value by contracting with the lowest and/or best bidder. Also, the district did not have a written contract or agreement with the legal services provider or carpet vendor.

Administrative Procedure DJF-1-AP(1) indicates the district must competitively bid auditing services and select an auditor who meets the qualifications set by the Department of Elementary and Secondary Education (5 CSR 30-4.030). The policy also includes legal services in the definition of services to be bid. It defines competitive bidding as a process of obtaining products or services where the district contacts providers or advertises, and interested providers submit quotes, offers, bids, or sealed bids. It also requires employees making small purchases (more than \$3,500 but less than \$50,000) to obtain bids, quotes, or offers from at least 3 providers, and to provide the purchasing officer with the proper documentation, including which provider was chosen and the reasons for selecting that provider.

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. Supporting documentation of bids obtained and the selection process is necessary to demonstrate compliance with policies and procedures. Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure district funds are used appropriately and effectively. Section 432.070, RSMo, requires contracts for school districts to be in writing.

3.2 Reimbursement and petty cash disbursements

Employee reimbursement and petty cash disbursements do not always comply with established administrative procedures. The Superintendent did not know which buildings had petty cash funds and district personnel were not aware of the need to monitor these funds. During our cash counts at the Marshall High School on March 1, 2021, we identified the following:

- An employee improperly reimbursed herself a total of \$320 from July 2020 through February 2021 from the petty cash fund for various items purchased outside the district's normal procurement process. The employee used personal credit cards instead of the district-issued purchasing card to make these purchases and the items were either shipped to the employee's residence or picked up by the employee at the store. District personnel could not provide documentation to demonstrate the building principal and Central Office authorized these purchases in advance.



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- Two purchases (\$132 and \$85) exceeded the maximum \$50 threshold for petty cash purchases. The \$132 purchase was included in the \$320 reimbursed to the employee.

Administrative Procedure DJF-1-AP(1) indicates purchases may be made only through a purchase order, credit or purchasing card, or through petty cash, when appropriate. That policy indicates in rare circumstances when one of these methods of payment is not available, the district may reimburse an employee for a purchase made with the employee's personal funds. Employees should contact the district office prior to making a purchase outside the authorized methods to ensure reimbursement. Per Administrative Procedure DJB-AP(1), employees cannot distribute petty cash to themselves. This policy further provides examples of unacceptable uses of petty cash, including reimbursing an employee and purchases that exceed \$50. Failure to follow proper procedures regarding expenditure reimbursement can result in the loss, theft, or misuse of funds.

3.3 Purchasing card limits

The district does not monitor purchasing card transaction limits and limits for some individuals are excessive. The district determines the transaction limits when the cards are issued, but does not periodically review the limits.

The district currently has 20 purchasing cards assigned to various personnel. Monthly cycle limits range from \$5,000 to \$100,000. A review of the 20 employees' purchasing card transactions determined 2 employees had monthly cycle limits significantly greater than necessary to cover their actual credit card purchases. The District Bookkeeper and the Director of Transportation have a monthly credit limit of \$100,000; but neither made purchases over \$10,000 in any month during the 2019-2020 school year. The District Bookkeeper indicated her card was the only credit card the district had at one point, and it was checked out by various employees as needed. She further indicated the district, in prior years, used the card assigned to the Director of Transportation to purchase vehicles. While the district use of credit cards has declined, the spending limits have not been reduced accordingly.

Excessive or unneeded limits and purchasing ability create greater risk of abuse and potential large liabilities for the district. By periodically comparing the actual purchasing card activity of each employee to established individual transaction and monthly cycle limits and adjusting limits as needed, the district can strengthen control over the cards and reduce potential risks. Administrative Procedure DJF-1 indicates the Board has the responsibility to set the limits on the cards.



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Recommendations

The Board of Education:

- 3.1 Periodically solicit proposals for professional services, enter into written contracts, and maintain documentation to support purchasing decisions and demonstrate compliance with purchasing policies.
- 3.2 Ensure employee reimbursements and petty cash disbursements comply with the established administrative procedures.
- 3.3 Evaluate the credit limit on assigned purchasing cards and set the limits at what is necessary for an employee to perform his/her job duties and responsibilities.

Auditee's Response

- 3.1 *The district will solicit proposals for competitive bidding for legal and auditing services every three years, enter into written contracts, and evaluate those services prior to advertising for those professional services. The district will select an auditor who meets the qualifications set by the Department of Elementary and Secondary Education. The district will maintain documentation, including an evaluation, to support purchasing decisions and demonstrate compliance with purchasing policies.*
- 3.2 *The district will ensure employee reimbursements and petty cash disbursements comply with administrative procedures, particularly AP DJF-1-AP. The building principal will be held closely accountable for petty cash and the amount of money incoming and outgoing.*
- 3.3 *The limits on credit cards have been reviewed and, in the best interest of financial security, been lowered. The limits will be evaluated periodically to make sure employees can perform their job duties and responsibilities. Large expenditures may be approved, but on an as-needed basis.*

4. Board Meeting Minutes

Reasons cited in open meeting minutes for going into closed session did not reflect topics actually discussed and/or topics discussed were unallowable for 8 of 34 closed meetings held during the period July 1, 2019, through April 30, 2021.

For example, the July 2, 2020, and September 22, 2020, open meeting minutes indicated a closed meeting would be held to discuss topics including "legal actions or attorney communications." However, the closed meeting minutes did not document any discussion of legal actions or attorney communications. District officials indicated topics discussed but not voted on are not always documented in the closed meeting minutes. The August 20, 2019, closed meeting minutes documented discussions with the district



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financial auditor, but the open meeting minutes did not document the specific reason or section of law allowing this discussion to occur in a closed session. In addition, unallowable topics discussed included distance/virtual learning, a return to learning plan, and classroom organization.

Section 610.021, RSMo, lists the topics that may be discussed in closed meetings. Section 610.022, RSMo, mandates the discussion topics and actions in closed meetings must be limited to only those specifically allowed by law, and requires the specific reasons for closing a meeting by citation to a specific section of the Sunshine Law be announced publicly at an open meeting. To ensure compliance with state law and the public is accurately informed, the Board should only cite reasons for going into closed session it plans to discuss. Section 610.022.3, RSMo, requires the discussion topics and actions in closed meetings must be limited to only those specifically allowed by law as announced in the justification for closing the meeting.

Recommendation

The Board of Education ensure specific reasons for closing a meeting are documented in the open minutes, ensure only topics allowed by state law are discussed in closed meetings, and discussions are limited to the specific reasons cited for closing the meeting.

Auditee's Response

The Board of Education will ensure specific reasons for closing a meeting are documented in the open minutes, ensure only topics allowed by state law are discussed in closed meetings, and discussions are limited to the specific reasons cited for closing the meeting.

5. Electronic Data Security

Controls over district computers are not sufficient. As a result, school records are not adequately protected and are susceptible to unauthorized access or loss of data.

5.1 User accounts

District officials have not established sufficient controls for maintaining user accounts for accessing system resources. After we discussed this concern with district officials, they initiated a review of system access and identified 5 former employees with access to the accounting system. District officials subsequently had this access removed. One of the 5 former employees had access to the system for more than 3 years after his/her employment ended and the other 4 former employees had access from 3 to 20 months after their employment ended. District personnel indicated they typically make the user account inactive upon termination, but do not immediately delete the user account and had overlooked deactivating and/or deleting the user accounts for these 5 former employees. The system report provided did not indicate which accounts were inactive and district personnel indicated there is no report available to indicate when a user account is made inactive and/or deleted.

Without effective procedures to remove access, terminated employees could continue to have access to critical or sensitive resources or have opportunities



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to sabotage or otherwise impair district operations or assets. The failure to timely remove access for terminated employees increases the risk of unauthorized access and may compromise the confidentiality and integrity of district data.

5.2 User access

The Superintendent, Assistant Superintendent, District Bookkeeper, Accounts Payable Clerk, and Director of Special Services have more access in the accounting system than required for their job duties. They all have access to both view and change data for every area of the system; including financial and payroll data when their job duties are limited to specific financial functions. For example, the District Bookkeeper is responsible for entering and processing payroll, but she also has the ability to create a new employee and add or alter an employee's rate of pay in the system. District personnel indicated they have not performed a review evaluating system user access needs to their assigned responsibilities. Without limiting user access, the district cannot ensure proper segregation of duties is in place over the functions of entering, approving, and reporting the data.

Good internal controls require that users be allocated the minimum access rights necessary to perform their assigned job functions, and that access to security functions be explicitly assigned. Allowing users access to the accounting system in excess of what is required for their job responsibilities increases the risk of improper activity occurring.

Recommendations

The Board of Education:

- 5.1 Ensure user access is promptly deleted following termination of employment.
- 5.2 Limit users access rights in the accounting system to only what is necessary to perform their job duties and responsibilities, and ensuring proper segregation of duties.

Auditee's Response

- 5.1 *Users are disabled and made inactive from the accounting system when they leave the district. After reviewing the recommendation from the SAO, the inactive accounts are now deleted.*
- 5.2 *The district will evaluate and limit users' access rights in the accounting system to only what is necessary to perform their assigned job functions and responsibilities and ensure proper segregation of duties. Access will be allowed only when necessary for cross-training purposes.*

Marshall Public Schools

Organization and Statistical Information

The Marshall Public Schools is located in Saline County.

In the 2019-2020 school year, the Marshall Public Schools had one early childhood center (grades PK), four elementary schools (grades K-4), one middle school (grades 5-8), one high school (grades 9-12), and one careers center. In the 2020-2021 school year, the school district reorganized its elementary school buildings and it currently has one early childhood center (grades PK-1), three elementary schools (grades 2-4), and one therapeutic learning center. Enrollment was approximately 2,645 students for the 2019-2020 school year. The district employed 371 full- and part-time employees at June 30, 2020.

The Marshall Public Schools 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. Board members at June 30, 2020, were:

Dr. Erin Meyer, President
Harry Carrell, Vice President
Ed Harper, Member
Bryon Jacques, Member
Ellen Lance, Member
Matt Smith, Member
Christy Varner, Member

Superintendent

The district's superintendent at June 30, 2020, was Dr. M. Carol Maher and her annual compensation was \$159,885 including an annual salary, retirement account, and costs associated with health, dental, and vision insurance coverage. In addition, Dr. Maher receives a \$480 cell phone stipend (\$40 per month). The superintendent's compensation, with the exception of the phone stipend, is established by the Board.

Financial Activity

A summary of the district's financial activity obtained from the financial statement audit report for the year ended June 30, 2020, follows:



Marshall Public Schools Organization and Statistical Information

MARSHALL PUBLIC SCHOOLS **STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN** **FUND BALANCES ARISING FROM MODIFIED CASH TRANSACTIONS - ALL GOVERNMENTAL FUND TYPES** **YEAR ENDED JUNE 30, 2020**

	Governmental Fund Types			
	General (Incidental) Fund	Special Revenue (Teachers') Fund	Capital Projects Fund	Total Governmental Funds
REVENUES COLLECTED:				
Local	\$ 6,530,019	\$ 2,907,857	\$ 239,605	\$ 9,677,481
County	2,657,591	160,260	-	2,817,851
State	823,087	10,076,554	764,744	11,664,385
Federal	1,614,130	704,357	-	2,318,487
Received from other districts	-	444,083	-	444,083
Total Revenues Collected	11,624,827	14,293,111	1,004,349	26,922,287
EXPENDITURES PAID:				
Regular instruction	653,694	8,266,919	17,415	8,938,028
Special instruction	897,794	2,037,837	-	2,935,631
Vocational instruction	134,724	1,077,976	15,090	1,227,790
Student activities	836,814	324,784	-	1,161,598
Payments to other districts	-	1,349,902	-	1,349,902
Student support services	846,490	647,299	733	1,494,522
Instructional support services	237,374	321,338	11,874	570,586
Board of Education services	428,650	-	-	428,650
Executive administration	345,377	812,832	48,468	1,206,677
Building level administration	476,716	1,219,135	-	1,695,851
Business/central services	8,211	-	-	8,211
Operation of plant	2,853,545	7,791	21,058	2,882,394
Pupil transportation	928,055	-	87,583	1,015,638
Food services	970,252	-	3,436	973,688
Facilities acquisition and construction	-	-	1,255,955	1,255,955
Principal retirement	-	-	545,000	545,000
Interest and fees	-	-	164,674	164,674
Adult education and community services	340,465	199,264	-	539,729
Total Expenditures Paid	9,958,161	16,265,077	2,171,286	28,394,524
EXCESS/(DEFICIT) OF REVENUES COLLECTED OVER EXPENDITURES PAID	<u>1,666,666</u>	<u>(1,971,966)</u>	<u>(1,166,937)</u>	<u>(1,472,237)</u>
OTHER FINANCING SOURCES/(USES):				
Transfers	(2,101,452)	1,971,966	129,486	-
Total Other Financing Sources (Uses)	<u>(2,101,452)</u>	<u>1,971,966</u>	<u>129,486</u>	<u>-</u>
EXCESS/(DEFICIT) OF REVENUES COLLECTED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	<u>(434,786)</u>	<u>-</u>	<u>(1,037,451)</u>	<u>\$ (1,472,237)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>4,936,971</u>	<u>-</u>	<u>4,653,137</u>	
FUND BALANCES, END OF YEAR	<u>\$ 4,502,185</u>	<u>\$ -</u>	<u>\$ 3,615,686</u>	