

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

Smithville R-II School District

Report No. 2022-074

September 2022

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Smithville R-II School District

Procurement Procedures, Contracts, and Disbursements	District procurement procedures and practices were not sufficient to ensure the district complied with district policy and state law. More frequent solicitation and evaluation of qualifications of the construction management and architectural firms would help ensure the firms meet the current needs of the district. District personnel did not use a sealed bid process as required for several purchases of \$45,000 or more, and did not provide a reason why they did not. District personnel did not provide adequate documentation to support purchasing decisions for several purchases. District personnel spent approximately \$30,000 on food and employee gifts and awards during the 2019 - 2020 school year that may not have been prudent, reasonable, or necessary use of school funds.
Sunshine Law	The Board of Education did not document members absent in open and closed meetings or the vote to close meetings, as required. The Board discussed some items in closed meetings that do not appear allowable under the Sunshine Law or were not cited as the reason for closing the meeting. Minutes for closed meetings did not include sufficient detail to ensure some topics discussed were allowable.
Additional Compensation	District employees received additional compensation, totaling \$16,900, during the 2019 - 2020 school year, for various purposes including teaching dual credit courses and exercise classes that were not included on Board approved salary schedules. In addition, district personnel did not withhold payroll and income taxes from payments made to these employees. Instead, the district issued each employee a 1099 form.
District Controls and Procedures	District personnel do not have controls in place to ensure donations received are used only for their intended purposes. District personnel and volunteers do not issue tickets to attendees and/or keep a tally sheet for athletic events and musical productions. District personnel did not timely prepare and the Board did not timely approve budget amendments for the year ended June 30, 2020. Personnel did not retain some records in accordance with state law.
Attendance Data Changes	The Board has not developed procedures to adequately track some changes made to attendance records and limit the time period when attendance changes can be made. Also, district officials do not review changes made to current school year attendance records.

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

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Smithville R-II School District

Table of Contents

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

Management Advisory Report - State Auditor's Findings	1. Procurement Procedures, Contracts, and Disbursements4 2. Sunshine Law9 3. Additional Compensation..... 11 4. District Controls and Procedures..... 11 5. Attendance Data Changes 14
---	--

Organization and Statistical Information	16
---	----



NICOLE GALLOWAY, CPA

Missouri State Auditor

Board of Education
Smithville R-II School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Smithville R-II School District. We have audited certain operations of the district in fulfillment of our duties. The district engaged Westbrook & Co., 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:

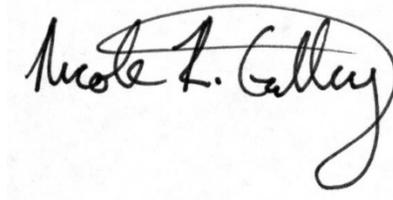
1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 performing sample testing using judgmental selection. The results of our tests cannot be projected to the entire population from which the test items were selected. 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 Smithville R-II School District.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the word "Galloway".

Nicole R. Galloway, CPA
State Auditor

Smithville R-II School District Management Advisory Report State Auditor's Findings

1. Procurement Procedures, Contracts, and Disbursements

District procurement, contract, and disbursement practices need improvement.

1.1 Procurement procedures

District procurement procedures and practices were not sufficient to ensure the district complied with district policy and state law. We reviewed 62 payment transactions totaling approximately \$1.6 million and 10 contracts using judgmental selection from a population of 2019 - 2020 school year payment transactions totaling approximately \$38 million. We noted various concerns.

Construction management and architectural services

The district has used the same construction management firm for the past 28 years and the 10-year term of the current contract with this firm makes it unlikely the district will request qualifications again for an extended period. Payments to this firm totaled \$152,229 for the 2019 - 2020 school year and total expenditures included in Amendment I of the current contract are anticipated to be approximately \$427,000. District personnel entered into the current 10-year contract with the firm in January 2019 after requests for proposals (RFP) were solicited in October 2018. The district's financial consultant indicated the RFP was written to implement the district's 10-year facility master plan. However, the RFP did not state the length of the plan and it was not available for interested parties to use in their responses to the RFP because it had not yet been developed. We could not review the documentation of the evaluation and selection of the construction management firm because the documentation was destroyed in a sewer backup in January 2021.

In addition, district personnel have established a long-term relationship with an architectural firm and the expected term of the relationship makes it unlikely the district will request qualifications again for an extended period. District personnel solicited requests for qualifications (RFQ) in November 2018 to establish a relationship with an architectural firm for the purpose of developing a facilities master plan, designing the resulting projects once funded, and providing on-call services. District personnel entered into a contract with the firm in July 2019 to develop a master facility plan and provide on-call architectural services, and entered into another contract with this firm in May 2020 to design the first phase of the master facility plan. Additional contracts to design the second and third phases of the master facility plan are expected to be awarded to this same firm within the next 10 years. We could not review the documentation of the evaluation and selection of the architectural firm for the 10-year master facility plan and on-call architectural services because the documentation was destroyed in the sewer



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

backup. During the 2019 - 2020 school year, the district paid the architectural firm \$75,884.

The district believes using the same construction management and architectural firms for the entire 10-year master facility plan is more cost effective than hiring new firms for each phase of the plan who would need to be informed about the work completed in the previous phase(s).

Sections 8.285 to 8.291 and 8.675 to 8.687, RSMo, provide the requirements for obtaining, evaluating, and negotiating for architectural and construction management. More frequent solicitation and evaluation of firm qualifications would help ensure the firms meet the current needs of the district.

Sealed bids and proposals

District personnel did not use a sealed bid process as required for purchases of \$45,000 or more for the following purchases made during the 2019 - 2020 school year and July 2020:

Item	Cost
Chromebooks	\$ 295,197
Laptops (1)	120,348
Alternative transportation services	84,390
Science curriculum materials	69,411
Lease payment (2)	63,554
Behavioral health services	53,892
Occupational therapy	49,863
Total	\$ 736,655

(1) Laptops were procured in the 2019 - 2020 school year, but were not paid for until July 2020.

(2) The district entered into a 3-year lease for Chromebooks in May 2017.

District personnel did not provide a reason why they did not use a sealed bid process for the purchases. They indicated written bids were obtained and awarded to the low bidders for the Chromebooks, laptops, and leased Chromebooks and district personnel indicated only approved vendors are invited to bid on technology purchases. The financial consultant also indicated the district obtained written bids from and selected the vendors that best met the districts needs for alternative transportation, behavioral health services, and occupational therapy services. However, district personnel did not provide written documentation of the evaluation and selection of the winning bidders.

The district's financial consultant indicated there were only 3 vendors offering a science curriculum that met Missouri Learning Standards; however, he could not provide documentation to support this assertion. In addition, we



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

were unable to review the evaluation and selection of the 3 science curriculum vendors because district personnel did not retain the documentation.

Board policy DJF requires employees to solicit sealed bids for items costing \$45,000 or more. Competitive procurement using a sealed bid process not only ensures the district is complying with board policies, but also helps ensure the district has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in district business.

Documentation

District personnel did not provide adequate documentation to support purchasing decisions for the following purchases made during the 2019 - 2020 school year:

Item	Cost
Special education services	\$ 217,079
Wireless network maintenance	91,604
Biomedical course materials and lab supplies	58,616
Student mental health and other at-risk services	56,371
Advanced Placement (AP) testing	37,780
Desktop computers	32,970
Desk barriers	21,453
Professional development services	17,500
Convertible tables	14,953
American College Test (ACT) study materials	14,779
Sound panel wall	11,603
District satisfaction survey	10,500
Plexiglass counter shields	8,969
Total	\$ 594,177

The district's financial consultant indicated the vendors providing special education services, biomedical course materials and lab supplies, student mental health and other at-risk services, AP testing, professional development services, ACT study materials, and the district satisfaction survey were all single feasible sources but this was not documented as required. The district's financial consultant also indicated no bids were solicited for the desk barriers and the Plexiglas counter shields because these were emergency purchases related to the COVID-19 pandemic. However, there was no documentation of the Superintendent's written authorization for either purchase as required. District personnel did not maintain supporting documentation to demonstrate the amounts paid for wireless network maintenance, desktop computers, and convertible tables agreed with the amounts in cooperative purchasing agreements the district used to obtain the goods and services. The district's financial consultant indicated the sound panel wall was not bid because the



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

funds used to make the purchase were provided by the Parent Teacher Organization.

Board policy DJF requires employees to obtain three bids, quotes, or offers for items costing between \$3,500 and \$45,000. In addition, Board policy DJF allows the purchasing officer to waive the bidding requirements in certain circumstances. For example, he/she must document in writing when a vendor is a single feasible source and must obtain the Superintendent's written authorization for emergency purchases. Board policy DJF also indicates all funds deposited with the district, regardless of source, are considered district funds and any purchases made with these funds must comply with district policies and procedures. Documentation of the various bids and proposals received, the selection process, and criteria (including single source, cooperative agreement, or emergency procurements justifications), is necessary to demonstrate compliance with board policies and support decisions made.

1.2 Food and gift purchases

District personnel spent approximately \$30,000 on food and employee gifts and awards during the 2019 - 2020 school year that may not have been prudent, reasonable, or necessary uses of district funds. In addition, the district does not have written policies on employer-provided food, gifts, and awards.

The food purchases were for employee meetings, training sessions, employee recognition and appreciation, holiday parties, and lunches at local restaurants. The employee gifts and awards included employee recognition and appreciation, incentives, and teacher of the year awards. The district's financial consultant indicated these items were purchased with budgeted funds which were approved by the Board. In addition, he indicated the Board approves checks each month, including checks for these items.

While some of these purchases may be appropriate, the district has not established any guidance or policies about food, gift, and award purchases. Examples of the types of provisions the district could incorporate into its own guidance and policies can be found in the State of Missouri's state agency policies. For example, the State of Missouri's agency-provided food policy only allows for food at official business functions and light refreshments at other agency sponsored activities (employee retirement, employee appreciation, etc.). In addition, the state's policy requires documentation to support food purchases including (1) purpose, (2) list of participants or estimated number of invitees, and (3) cost of food provided. The State of Missouri also has an agency gift and award policy that allows retirement, service, and other recognition award gifts that are reasonable and primarily represent a token of recognition and not a reward with a cash equivalent or substantial monetary value.



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

District residents have placed a fiduciary trust in their public officials to spend district revenues in a prudent and necessary manner. Established policies on district provided food and gifts would provide employees necessary guidance and better transparency for citizens about the use of public funds.

Recommendations

The Board of Education:

- 1.1 Periodically request and evaluate qualifications for architectural and construction management services. In addition, ensure district personnel competitively procure goods and services in accordance with board policies and maintain documentation of decisions made.
- 1.2 Ensure all disbursements are a necessary and prudent use of district funds. In addition, the Board should establish policies regarding food, gift, and award purchases, if such purchases are considered necessary.

Auditee's Response

- 1.1 *The district put out an RFP for professional services for construction management and architectural services to create a long-term master building plan (plan). The plan, created with public input and approved by the Board of Education contains a 2020, 2025, and 2030 capital improvement plan with identified projects. Each phase builds on itself and requires consistency to ensure budgets and timeframes are maintained. The district believes there is value in a long-term relationship with the professional service providers because of their prior knowledge of worksite conditions and work performed during each phase, what pre-construction services need to be done for each phase, and what work remains as the project enters a new phase. If new construction management and architecture firms were brought in each time, time and money would be wasted "catching up." Secondly, projects do not begin when voters approve the bonds that pay for the projects; years of advance planning, including design work and cost estimating, must be prepared prior to the bond ever appearing on the ballot - not having a relationship with professional service providers prior would again cost patrons time and money. The district complied with state law and Board Policy FEC for construction management services and Board Policy FEB for architectural services. The district used scoring guides, conducted interviews, and produced the questions and interview schedules for said interviews during the audit. At the time of selection, the district also provided the Board with recommendations concerning the bids, but was unable to produce those documents due to sewer backup that is addressed in Management Advisory Report (MAR) finding number 4.4. The district will work to ensure that all records regarding its selection of professional services are safely stored and accessible for*



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

review, while ensuring that the plan is completed in a timely manner and at the lowest cost.

Sealed bids: The district will continue to follow the Board approved policies and procedures when soliciting bids or quotes via competitive purchasing, as outlined under Board Policy DJF-1 and Administrative Procedure DJF-1-AP(1).

To better document district purchases, the Board will adopt and require that Form DJF-AF3 be completed for applicable purchases. The Form will also enable the district to standardize its documentation of circumstances surrounding single source, cooperative, and emergency purchases. Administratively, DJF-AF3 will go in to effect on September 1, 2022.

- 1.2 *The purchases referenced by the State Auditor were items purchased out of budgeted supply accounts or activity accounts. For example, the Board's purchases of a holiday turkey for staff was budgeted and approved by the Board under the supply account. Food and drinks were purchased for after school meetings to provide a light snack for participants via the budgeted supply accounts approved by the Board. Each fall, spirit wear was purchased for staff via donations received by vendors who participated in a back to school event. The donations were then budgeted and approved by the Board via the activity account. All supply accounts and activity accounts are Board approved as part of the annual budget. Each month the Board approves checks and receives a general ledger update on how these accounts are operating. The district will continue to plan and implement its annual budget pursuant to Board Policy DB, and document purchases as required under Board Policy DJF-1. Any purchases deemed imprudent or unnecessary and denied by the Board will not be made. The district is in the process of developing an administrative policy and procedure regarding the purchase of nominal gifts, food, and beverages.*

2. Sunshine Law

Required information

The district did not comply with the Sunshine Law for open and closed meetings.

The Board did not document members absent in open and closed meetings or the vote to close meetings, as required. The district financial consultant indicated that beginning in April 2021 some required information and some meeting details (see insufficient detail section) were not included in the minutes approved by the Board and this has since been corrected with training and new personnel assigned to document the minutes. The consultant did not provide a reason why required information was not included in meeting minutes prior to April 2021.



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

Allowable topics

The Board discussed some items in closed meetings that do not appear allowable under the Sunshine Law or were not cited as the reason for closing the meeting. For example, closed meeting minutes note the Board discussed organizational restructuring options and restructuring the district office in closed meetings. The discussions were included under personnel matters in the minutes and Section 610.021.03, RSMo, was cited as a reason for closing the meetings; however, the minutes do not indicate if the discussion included hiring, firing, disciplining, or promoting or particular employees. At another closed meeting the Board evaluated the superintendent's performance as allowed by Section 610.021.13, RSMo; however, this section was not cited as a reason for closing the meeting. The district financial consultant indicated the Board and district personnel are familiar with the Sunshine Law and any unallowable discussion was due to an inadvertent error.

Insufficient detail

Minutes for closed meetings did not include sufficient detail to ensure some topics discussed were allowable. Closed meeting minutes included only a brief description of the topics discussed unless a vote was taken. For example, each month, the closed meeting minutes include "Personnel Report" as a topic for discussion under "Personnel Matters." Other frequent topics listed under "Personnel Matters" included discussion with a school administrator; approval of new positions; and salary, stipend, and compensation discussions. Without sufficiently detailed meeting minutes it is unclear if all of these discussions were appropriate for closed meetings.

Conclusion

Missouri's Sunshine Law, Chapter 610, RSMo, provides for transparency and openness of government. Section 610.020.7, RSMo, requires minutes of meetings be maintained as a record of business conducted and to provide an official record of actions and decisions, including the date, time, place, members present, members absent, and a record of any votes taken. The minutes need to provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made. Section 610.021, RSMo, lists the topics that may be discussed in closed meetings. Section 610.022, RSMo, provides that a meeting or vote may be closed only after the vote of each member on the question of closing the meeting and the specific reason for closing the meeting or vote by making specific reference to the specific section of law that is announced publicly at the open session and entered into the minutes. Section 610.022.3, RSMo, mandates that the discussion topics and actions in closed meetings must be limited to only those specifically allowed by law as announced in justification for closing the meeting.

Recommendation

The Board of Education ensure meeting minutes are complete, accurate, and sufficiently detailed and only allowable topics are discussed in closed meetings. In addition, ensure discussions in closed meetings are limited to only those specific reasons cited for closing the meeting.



Auditee's Response

Staff and the Board of Education have received training to ensure compliance with the Missouri Sunshine Law including ensuring meeting minutes are complete, accurate, and sufficiently detailed. In addition, the Board will ensure specific exemptions for closing a meeting under the Sunshine Law are fully documented in the open minutes, ensure only topics that are covered by the specific exemptions under the Sunshine Law are discussed in closed meetings, and discussions are limited to the specific exemptions under the Sunshine Law for entering closed session.

3. Additional Compensation

District employees received additional compensation, totaling \$16,900, during the 2019 - 2020 school year, for various purposes including teaching dual credit courses and exercise classes that were not included on Board approved salary schedules. In addition, district personnel did not withhold payroll and income taxes from payments made to these employees. Instead, the district issued each employee a 1099 form. The district's financial consultant indicated the payments are not included on salary schedules or subject to payroll withholding because the district uses funding from the university managing the dual credit program and vendor sponsorships for the additional compensation rather than tax revenue.

All compensation should be approved by the Board and included on salary schedules as necessary to ensure all employees are treated fairly and equitably and salaries are calculated consistently and are reasonable. In addition, the failure to withhold and properly report payroll and income taxes for district employees makes the district potentially subject to additional tax liabilities along with penalties and interest. For employees, IRS regulations require employers to report compensation on W-2 forms and withhold and remit income and payroll taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes.

Recommendation

The Board of Education ensure pay schedules are complete and all compensation is approved by the Board. In addition, the Board should ensure all employee compensation paid is subject to proper withholdings and properly reported.

Auditee's Response

The Board of Education will continue to ensure pay schedules are complete and all compensation is approved by the Board. Going forward, the Board will ensure that all employee compensation is paid subject to proper withholding and properly reported.

4. District Controls and Procedures

District controls and procedures over donations, event sales, budget amendments, and record preservation and retention need improvement.

4.1 Donations

District personnel do not have controls in place to ensure donations received are used only for their intended purposes. District personnel account for



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

donations within one account in the Student Activities Fund. However, there is no separate accounting for donations intended for a specific purpose within that account and district personnel are not otherwise tracking the donations to ensure they are only used as intended. District personnel believed that accounting for the donations in one account was sufficient. During the 2019 - 2020 school year, the district received donations totaling \$11,897 specifically intended for various purposes including food boxes, Christmas gifts, and clothing and hygiene items for the Warrior Closet.

Separate funds and/or accounting of receipts and related disbursements associated with specific purposes are necessary to ensure donation receipts are expended as the donors intended.

4.2 Event sales

District personnel and volunteers do not issue tickets to attendees and/or keep a tally sheet for athletic events and musical productions. Without some method of determining attendance, there is no way for district personnel to reconcile collections to deposits and ensure all receipts are deposited. The district's financial consultant did not provide an explanation for why a method to determine attendance had not been developed. The district collected approximately \$82,000 in admission fees for the 2019 - 2020 school year.

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 receipts and the amount deposited.

4.3 Budget amendments

District personnel did not timely prepare and the Board did not timely approve budget amendments for the year ended June 30, 2020. The Board amended the budget on June 24, 2020, only after disbursements exceeded the total amount budgeted. After the amendment, district personnel still overspent the Student Activity, School Foundation, and Debt Service Funds. The district's financial consultant indicated the amendments were not complete until late May, and as a result, the amended budget was not ready for Board approval until June 2020. In addition, the financial consultant indicated amended amounts were based on actual expenditures through April 2020 and their best estimate of activity for May and June 2020.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted and allows for budget increases, after the governing body officially adopts a resolution setting forth the facts and reasons. Board monitoring of actual disbursements compared to budgeted amounts and formal amendment of budgets before the related disbursements are incurred is necessary to ensure compliance with state law.

4.4 Record preservation and retention

District personnel did not retain some records in accordance with state law. Upon the retirement of the Chief Financial Officer, district personnel stored his records in a mechanical room at the district office. Some of the records,



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

including the procurement documents described in MAR finding number 1.1, were soiled and ruined from a sewer backup in January 2021.

Retention of records is necessary to ensure the validity of transactions and provide an audit trail. In addition, storing records in secure areas that are free from excessive heat, moisture, and threats of destruction is necessary to ensure records are retained in accordance with state law. Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. Record retention schedules can be found on the Secretary of State's website.

Recommendations

The Board of Education:

- 4.1 Ensure donations collected are adequately tracked and/or deposited into a separate account and used for their intended purposes.
- 4.2 Ensure receipts deposited for all events are reconciled to the paid attendance.
- 4.3 Prepare and approve budget amendments prior to incurring the related disbursements.
- 4.4 Store records in secure areas and ensure all records are retained in accordance with state law.

Auditee's Response

- 4.1 *The district has created sub accounts under its existing Care Account (within the Student Activities Fund) that will provide a more detailed accounting of funds received and help ensure that funds continue to be used for their intended purpose.*
- 4.2 *The Board of Education recognizes that it needs to have a system in place to ensure receipts deposited for all events are reconciled to the paid attendance. The Board plans to address this during the 2022-2023 school year by going to an on-line electronic ticketing system to eliminate cash at the point of sale and providing accurate attendance information for all interscholastic and scholastic events.*
- 4.3 *The Board will follow its policy, DB – Annual Budget, to comply with State Law and guidelines outlined in the Department of Elementary and Secondary Education Missouri Financial Accounting Manual. Financial reports will be reviewed monthly by the Board of Education and staff to monitor budgeted revenue and expenditures vs. actual revenue and expenditures. If required, budget amendments*



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

will occur prior to any disbursement that would cause a fund to exceed its budgeted amount.

- 4.4 *The district follows the guidance of the Missouri Secretary of State process of fully digitizing its records in October 2016, beginning with documents from the Board, including agendas and minutes. Student records were digitized starting in 2014, and the district has digitized the past 18 years of student records, by digitizing both the current year and one archive year on an annual basis. Due to lack of time, manpower, and funding, the district has not yet put a plan in place to digitize the archived records of the Board, which include the procurement documents addressed by the State Auditor in MAR finding number 1.1 and destroyed due to a sewer backup in January 2021. In the meantime, the district will better ensure that physical records not yet digitized are stored in secure areas that are free from excessive heat, moisture, and threats of destruction.*

5. Attendance Data Changes

The Board has not developed procedures to adequately track some changes made to attendance records and limit the time period when attendance changes can be made. Also, district officials do not review changes made to current school year attendance records.

District procedures require recording of daily student attendance in the attendance system by each teacher or by a substitute teacher when a teacher is absent. Each school's administrative assistant runs a report to ensure all attendance has been entered. Changes after the current day can be made anytime for the current school year by the administrative assistants and the teachers assigned to each class. The system does not have the ability to track these changes and although documentation is maintained to support changes made, this documentation is not reviewed by district administrative personnel. Instead, the district's financial consultant indicated attendance is reviewed by the school principal and administrative assistant daily and these individuals also review overall attendance for patterns and irregularities.

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 Department of Elementary and Secondary Education. Without limiting the time frame during which attendance system changes can be made or reviewing changes made, attendance data is subject to erroneous changes that may affect attendance reports to the DESE.

Recommendation

The Board of Education 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 documentation of changes made to attendance data be reviewed for accuracy.



Smithville R-II School District
Management Advisory Report - State Auditor's Findings

Auditee's Response

PowerSchool, the district's attendance system, received an update with Version 21.2.2.0, which provides an electronic timestamp when data is entered or revised, as well as other security enhancements, including attendance change logs. This update enables the district to better ensure that attendance is properly recorded and reported. Internal controls are in place at the building level and district level to monitor attendance closely for accuracy. All attendance change logs will be monitored and verified for accuracy at the district level.

Smithville R-II School District

Organization and Statistical Information

The Smithville R-II School District is located in the western part of Missouri, covering parts of Clay, Platte, and Clinton counties.

The district currently has one early childhood center, three elementary schools (grades K-6), a junior high school (grades 7-8), and a high school (grades 9-12). Enrollment was approximately 2,600 students for the 2019 - 2020 school year. The district employed 228 full-time employees and 108 part-time employees (teachers, aids, custodians, and nurses) at June 30, 2020.

The Smithville R-II School District 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. Members of the board at June 30, 2020, were

Denney Fales, President
Sarah Lamer, Vice-President
Wade Keifer, Member
Ian Saxton, Member
Len Matthies, Member
Scott Haggerty, Member
Susan Whitacre, Member

Superintendent

The district's superintendent at June 30, 2020, was Todd Schuetz and his annual compensation was \$165,714. The superintendent's compensation 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.



Smithville R-II School District
Organization and Statistical Information

**SMITHVILLE R-II SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local	\$ 8,278,493	\$ 4,792,354	\$ 3,271,070	\$ 1,681,432	\$ 18,023,349
County	373,903	174,004	101,823	47,310	697,040
State	1,570,661	10,478,456	-	19,372	12,068,489
Federal	852,195	486,131	-	14,702	1,353,028
Other	4,303	-	-	-	4,303
Total Revenues	11,079,555	15,930,945	3,372,893	1,762,816	32,146,209
EXPENDITURES:					
Instruction	2,034,769	11,596,474	-	86,294	13,717,537
Student activities	882,129	566,018	-	-	1,448,147
Student services	898,159	724,659	-	5,772	1,628,590
Instructional staff support	210,626	665,312	-	4,708	880,646
Building level administration	579,312	1,464,806	-	-	2,044,118
General administration & central services	1,942,507	940,464	-	113,703	2,996,674
Operation of plant	2,429,987	-	-	61,521	2,491,508
Pupil transportation	1,480,659	48,327	-	-	1,528,986
Food service	927,287	-	-	-	927,287
Community services	94,031	19,669	-	-	113,700
Facility acquisition and construction	-	-	-	917,103	917,103
Debt service:					
Principal retirement	-	-	6,686,000	550,000	7,236,000
Interest and fees	-	-	1,212,680	829,855	2,042,535
Total Expenditures	11,479,466	16,025,729	7,898,680	2,568,956	37,972,831
Revenues Over (Under) Expenditures	(399,911)	(94,784)	(4,525,787)	(806,140)	(5,826,622)
Other Financing Sources (Uses):					
Transfers	(94,784)	94,784	-	-	-
Net change in fund balances	(494,695)	-	(4,525,787)	(806,140)	(5,826,622)
Fund balance, beginning	4,754,986	-	8,812,831	2,579,361	16,147,178
Fund balance, ending	<u>\$ 4,260,291</u>	<u>\$ -</u>	<u>\$ 4,287,044</u>	<u>\$ 1,773,221</u>	<u>\$ 10,320,556</u>