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Missouri State Auditor

Kingston K-14 School District

Report No. 2024-090

October 2024

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Kingston K-14 School District

Payroll Controls and Employee Stipends

District controls and procedures over payroll and employee stipends need improvement. The district has not adequately segregated payroll duties and no one performs an independent or supervisory review of detailed payroll records. The district did not always ensure pay rates were accurate and adequately supported with at least 1 employee receiving more pay than authorized and others receiving salaries that could not be supported. The district paid \$500 stipends, totaling \$68,500, to all full-time employees that were not allowable by district policies, were insufficiently supported, and unreasonable. The Board also violated the Missouri Constitution by paying retroactive extra-duty stipends for 13 employees totaling \$2,600.

General Obligation Bonds

The district issued General Obligation bonds using a negotiated sale rather than a competitive sale process, did not solicit proposals for underwriting services, and received financial advisory services from the underwriter. Bonds totaling \$3.35 million for the construction of a new high school gymnasium and other repairs and improvements to existing facilities were sold in a private sale without advertisement and the district's bond underwriter received fees for the bond issuance totaling approximately \$44,000.

Receipting and Depositing Procedures

District staff did not always prepare transmittal forms for student activity receipts in accordance with district procedures, or promptly record and deposit receipts for student activities and district operations. For the year ended June 30, 2023, the district collected approximately \$140,000 in student activity receipts. The failure to timely record, transmit, and deposit money and properly perform and document verification procedures increases the risk of loss, theft, or misuse of funds. District personnel do not issue tickets to attendees and/or keep a tally sheet for athletic and school event attendance. 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 collected approximately \$5,800 in admissions fees for athletic and school events for the 2022-2023 school year.

Expenditure Procedures

The Board did not review and approve some expenditures. A test of 40 expenditures totaling approximately \$1 million found 2 expenditures for which Board approval was not documented and the expenditures were not included in the monthly check listing provided to the Board for review. A review of the district's 17 active Walmart purchasing cards found 5 were held by former employees, although no activity was recorded on the cards for the year ended June 30, 2023. The district does not have written policies on employer-provided gifts and spent \$3,625 in November 2022 on \$25 gift cards for each of the 145 district employees that may not have been a prudent, reasonable, or necessary use of district funds.

Budgets

The district did not prepare complete and timely annual district budgets for the fiscal years ended June 30, 2023, and 2024. For both budget years, in June, the Board adopted the actual revenues and expenditures from the prior year as the budgeted revenues and expenditures for the current fiscal year.

The adopted budgets lacked many of the required elements for a complete budget, such as beginning and estimated ending fund balances, actual revenues and expenditures for the preceding two fiscal years, debt balances, and a budget message.

Sunshine Law

The Board did not always comply with the Sunshine Law or sufficiently document discussions to demonstrate Sunshine Law compliance. The Board did not document, in open meeting minutes, the specific reasons or sections of law allowing the meetings to be closed for any of the 27 closed meetings held from July 1, 2022, to December 31, 2023. Additionally, the notices and agendas for 2 of the meetings did not include the specific section of law allowing the closed meeting, but only indicated the meeting would be closed for personnel and student issues. The Board discussed and voted on some items in closed meetings that were not allowable under the Sunshine Law. Some closed meeting minutes did not include sufficient detail to ensure topics discussed were allowable and included little or no description of the topics discussed.

Attendance Data Changes

The Board has not developed procedures to limit the time period when attendance changes can be made, and district officials independent of the attendance entry and change process do not review changes made to attendance records.

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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SCOTT FITZPATRICK MISSOURI STATE AUDITOR

Board of Education
Kingston K-14 School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Kingston K-14 School District. We have audited certain operations of the district in fulfillment of our duties. The district engaged Catlett & Associates, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2023. 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, 2023. The objectives of our audit were to:

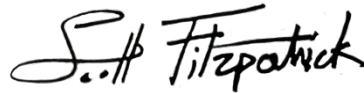
1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and the Department of Elementary and Secondary Education 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 Kingston K-14 School District.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive style with a large, stylized "S" and "F".

Scott Fitzpatrick
State Auditor

Kingston K-14 School District Management Advisory Report State Auditor's Findings

1. Payroll Controls and Employee Stipends

District controls and procedures over payroll and employee stipends need improvement. During the year ended June 30, 2023, the district incurred payroll and stipend expenditures totaling approximately \$6 million and employee fringe benefit expenditures totaling approximately \$1.7 million.

1.1 Segregation of duties

The district has not adequately segregated payroll duties and no one performs an independent or supervisory review of detailed payroll records. The Payroll Clerk is responsible for entering approved pay rates, maintaining personnel records, preparing payroll and fringe benefit expenditures, and setting up the automatic withdrawal of payroll expenditures from the district's bank account. There is no independent review of payroll transactions and/or related reports to ensure the transactions are accurate, appropriate, and processed timely. The Superintendent indicated staffing levels preclude additional segregation, and district policies require employees to verify the accuracy of their salary schedule placement, compensation rate, and paycheck, and to notify the district upon receiving an inaccurate payment. However, as noted in section 1.2, these efforts were insufficient to detect payment errors.

Proper segregation of duties is necessary to ensure payroll transactions are appropriate and accounted for properly. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed payroll records are essential.

1.2 Employee pay rates

The district did not always ensure pay rates were accurate and adequately supported. From the 186 employees receiving payments during the 2022-2023 school year, we judgmentally selected 42 employees to review personnel files and related payroll expenditures and noted the following concerns:

- The district paid 1 employee at rates that exceeded the amount authorized by the employee's contract. This resulted in paying the employee \$59,200, or \$533 more than the \$58,667 allowed by the contract for the year ended June 30, 2023. After we brought this to the attention of the district, district officials determined the Payroll Clerk had incorrectly entered the employee's annual salary amount into the payroll system, which caused the system-calculated monthly pay rate to be incorrect.
- The district had no employment application or other documentation to support the years of service used in 1 employee's placement on the district's salary schedule. Beginning in the 2023-2024 school year, the district hired the employee as a full-time bus driver and set his salary at the rate of \$82.39 per day, which was the highest rate on the district's salary schedule and applied to employees with 30 or more years of service. The employee only began employment with the district in 2021.



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The employee is the Superintendent's husband and the Superintendent indicated he had worked at another school district for more than 30 years and she authorized the salary based on that other service. However, there was no documentation to support this. If the employee's salary was based on the district's documentation of school employment, the employee would have been entitled to only \$75.64 per day.

District policy GDBA indicates, "the district will recognize similar, previous experience of an employee when placing that employee on the salary schedule" and requires the employee to fully apprise the district of his/her relevant background upon employment.

- The salary for 1 employee could not be traced to district salary schedules and the district maintained no other documentation to support the employee's salary. The May 2022 Board meeting minutes indicate the Board approved hiring the employee for the 2022-2023 school year as a classified (non-certified) foreign language instructor. The employee's personnel file indicated the person was previously employed by the district as a substitute teacher and paraprofessional and gave no information about the decision to hire her to teach or the pay rate.

The Payroll Clerk indicated the district promoted the employee to teacher to fill a vacancy, and since the district's salary schedule for teachers does not apply to non-certified teachers, the district set the employee's salary at the minimum teacher's salary allowed by state law.¹ Neither this decision nor the Board's approval was documented. Board policy GDBA requires non-certified professional staff be paid in accordance with the salary schedule or receive the amount of compensation approved by the Board.

- A teacher who was also a substitute bus driver received an increase in his daily bus driver rate from \$85 to \$100 that was not supported by the Board approved salary schedule or any other documented Board approval. The Payroll Clerk indicated the Board approved the increased rate in November 2022 for teachers who also serve as substitute bus drivers. However, the Board meeting minutes do not mention this rate increase.

To ensure employees are compensated fairly, payroll expenditures must be accurate, properly supported, and in accordance with employment contracts and/or the Board-approved salary pay schedules. The payroll process is not adequately segregated or reviewed, as discussed in section 1.1. Segregation

¹ Section 163.172, RSMo, requires minimum teacher salaries to be \$25,000 per year, while the minimum salary in the Board-approved salary schedule for certified teachers was \$38,000 for 2022-2023 school year.



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or review of the payroll process may have prevented or detected some or all of the errors noted.

1.3 Mental health stipends

The district paid \$500 stipends to all full-time employees that were not allowable by district policies, were insufficiently supported, and unreasonable. The stipends, totaling \$68,500, were approved by the Board and paid to employees in December 2022.

The Superintendent indicated the stipends were to express appreciation to districts employees for their dedication to the district and its students. An email from the Superintendent to employees announcing the stipend indicated they were required to be connected to professional or personal growth and provided links to 8 online articles and videos intended to be useful to the employees in coping with stress and other mental health issues. The email indicated employees need only complete a 2-question form to receive the stipend. The Superintendent indicated the employees were expected to access the resources and complete the form on their own time. The district maintained no documentation supporting the stipend amount, any evaluation of its reasonableness, or the amount of time employees were expected to spend accessing the resources and completing the form. The Superintendent indicated other school districts provided stipends for similar amounts and purposes, and the Board and Superintendent believed the total stipend amounts were affordable for the district.

District policies do not provide for such extra duty compensation. District policy indicates, "All staff members are expected to perform reasonable duties over and above their regular responsibilities when the district determines that such additional work is necessary to supervise students, monitor an event, assist in an emergency situation or otherwise further the district's education mission. . ." and ". . . If the Board decides to compensate employees for occasional or sporadic extra duties, such as taking tickets at events, the superintendent or designee will annually recruit current employees who are interested in earning additional compensation for these duties. The Board will approve the list of interested employees and will set compensation for the duties. . ." Additionally, district policies on professional development generally provide for leave time for employees for professional development activities and do not address additional compensation for those activities.

To ensure employee stipends are reasonable and proper, stipends need to be consistent with district policies and appropriate documentation needs to be maintained to support the stipend amounts.

1.4 Retroactive stipend increases

The Board paid retroactive extra-duty stipends in violation of the Missouri Constitution.



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In December 2022, the Board approved 10 percent increases to the extra-duty stipend amounts for 13 athletic coaches and band and choir directors who were involved in the activity for more than one year. The Board agreed to pay the increase retroactively to the beginning of the fiscal year. The district increased the January 2023 stipend payments to reflect the additional amounts due for the previous 6 monthly payments. The retroactive adjustments totaled approximately \$2,600 for all employees. The Superintendent indicated the Athletic Director expressed concerns that the extra-duty amounts had not increased in many years and were small relative to similar-sized school districts, and the Board determined the district could afford to make the increases retroactive to the beginning of the school year.

The district did not document its reasoning for applying mid-year stipend increases retroactively or any additional work performed. Payments for services previously rendered are in violation of Article III, Section 39(3), Missouri Constitution, and contrary to Attorney General's Opinion 72-1955 (June 14, 1955), which states, ". . . a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered."

Recommendations

The Board of Education:

- 1.1 Segregate payroll duties or ensure documented supervisory reviews of detailed payroll records are performed.
- 1.2 Provide additional oversight and approval regarding compensation decisions and ensure all payments to employees are accurate and have adequate supporting documentation.
- 1.3 Reconsider the necessity of stipends for all employees and if such stipends are continued, maintain documentation to justify the determination and reasonableness of the amounts paid.
- 1.4 Comply with the Missouri Constitution and maintain documentation justifying the propriety of retroactive stipend adjustments or prohibit such adjustments in the future.

Auditee's Response

- 1.1 *The district is exploring redistribution of duties amongst district personnel that would allow for further segregation of payroll duties. In the meantime, supervisory reviews of monthly payroll records will be implemented.*
- 1.2 *This matter is resolved. An onboarding process and standard operating procedure have been developed that include documentation of employment verification and final approval of the*



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Superintendent for placement on salary/wage schedules. Additionally, salary schedules are updated to be comprehensive of miscellaneous circumstances such as teachers driving buses as extra duty and contracted classified staff serving as long-term substitute lead teachers for the school year.

- 1.3 *This matter is resolved. Any future stipends for staff will require a specific amount of extra duty time to be spent on training activities, with documentation of attendance and completion of that time compiled and reviewed by payroll personnel with additional final supervisory review and approval.*
- 1.4 *This matter is resolved. No retroactive stipend adjustments will be paid in the future. Any new rate of pay will only go into effect from the date of Board approval. Retroactive payments will only be made in the case of an error in placement or amount according to current Board approved pay scales.*

2. General Obligation Bonds

The district issued General Obligation (GO) bonds using a negotiated sale rather than a competitive sale process, did not solicit proposals for underwriting services, and received financial advisory services from the underwriter. The district issued GO bonds in August 2022 totaling \$3.35 million for the construction of a new high school gymnasium and other repairs and improvements to existing facilities. The bonds were sold in a private sale without advertisement. The district's bond underwriter received fees for the bond issuance totaling approximately \$44,000.

The Superintendent indicated the district did not use a competitive sale because the district wanted to ensure local banks received an opportunity to participate in the financing, and the district did not bid for underwriting services because the district has been satisfied with the services from the underwriter in previous district issuances. Additionally, the Superintendent indicated she and the Board believed the services provided by the underwriter did not also include financial advisory services. However, the district did not employ a financial advisor, and in a March 2024 email to the Superintendent, the underwriter described various financial advisory services he provided to the Board including ". . . providing annual reviews of revenue projections, tax rate calculations, sample amortization schedules, and interest rate implications to put the district in the best possible position for future financings. . ." and providing ". . . a comparison of interest rates which allowed the Board to compare the interest rates and call feature of the district's financing to other similar financings currently in the municipal bond market. . ."

While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting bond underwriters,



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competitive sales may result in lower interest costs for the district. Furthermore, competition in selecting bond underwriters is important to ensure services are obtained from the best qualified providers at a fair price.

The Government Finance Officers Association (GFOA) indicates that issuers should sell their debt using a method of sale (competitive sale or negotiated sale) that is most likely to achieve the lowest cost of borrowing, and recommends issuers select a method of sale based on a thorough analysis of the relevant rating, security, structure, and other factors pertaining to the bond issue,² and if the issuer lacks sufficient in-house expertise and access to current bond market information, the analysis and selection should be undertaken with the advice of a financial advisor chosen through a competitive process.³ The GFOA also indicates the presence of the following factors may favor the use of a competitive sale: the rating of the bonds is single-A or higher; the bonds are general obligation bonds; the bonds do not include new financing features requiring explanation to the bond market; and the issuer is well-known and regularly in the market, but infrequent issuers meeting the 3 previous factors may also successfully issue debt through a competitive sale.⁴ Based on the bond indentures, the district's issuance met the first 3 factors cited by the GFOA. Additionally, the GFOA recommends if the issuer determines that a negotiated sale is more likely to result in the lowest cost of borrowing, the issuer should select the underwriter through a formal request for proposals process.⁵

The Municipal Securities Rulemaking Board (MSRB)⁶ Rule G-23 clarifies the financial advisor has a fiduciary responsibility to the governmental entity (issuer) and cannot act as both financial advisor and underwriter on the same bond issue.

Recommendation

The Board of Education consider open competition in future bonds sales, discontinue using an underwriter who also acts in a dual capacity as financial

² Government Finance Officers Association, *Selecting and Managing the Method of Sale of Bonds*, March 5, 2021, <<https://www.gfoa.org/materials/selecting-and-managing-the-method-of-sale-of-bonds>>, access June 13, 2024.

³ Government Finance Officers Association, *Selecting and Managing Municipal Advisors*, February 28, 2014, <<https://www.gfoa.org/materials/selecting-and-managing-municipal-advisors>>, accessed June 13, 2024.

⁴ Government Finance Officers Association, *Selecting and Managing the Method of Sale of Bonds*.

⁵ Government Finance Officers Association, *Selecting and Managing Underwriters for Negotiated Bond Sales*, February 28, 2014, <<https://www.gfoa.org/materials/selecting-and-managing-underwriters-for-negotiated>>, accessed June 13, 2024.

⁶ The MSRB is the regulatory agency that oversees firms involved in underwriting municipal bonds and providing financial advice, and has issued various rules addressing the activities and roles of financial advisors and underwriters.



advisor, and procure underwriter services and financial advisor services through a competitive process.

Auditee's Response

This matter is resolved. All future bond sales and procurement of financial advisor services and bond underwriting services will be bid competitively. Bond underwriting services and financial advisory services will be procured from separate entities.

3. Receipting and Depositing Procedures

District receipting and depositing procedures need improvement. During the year ended June 30, 2023, district receipts totaled approximately \$13.6 million, including approximately \$140,000 in student activity receipts.

3.1 Receipting, transmitting, and depositing

District staff did not always prepare transmittal forms for student activity receipts in accordance with district procedures, or promptly record and deposit receipts for student activities and district operations. District procedures require the activity sponsors to count activity receipts; record the total collected on a transmittal form; prepare the bank deposit slip; and remit the form, slip, and money to the business office by the following day. Personnel in the business office count the receipts and reconcile them to the amounts on the transmittal form and deposit slip before deposit. For district operations receipts, the money is received and recorded by the business office directly.

We reviewed receipt and deposit records for the 2-week period ending February 23, 2023, including 22 activity transmittals and 10 operations receipts totaling \$66,255 and noted the following concerns:

- For 2 of 22 activity transmittals tested, totaling \$1,176, the district could not locate transmittal forms, and for 3 of the 22 transmittals, totaling \$7,932, the forms lacked the business office count and personnel initials. Current district officials could not explain the omissions.
- For 4 of 22 activity transmittals tested, with amounts ranging from \$120 to \$567, and for 3 of 10 operations receipts tested, with amounts ranging from \$906 to \$39,943, the district deposited the money more than 1 week after receipt. Additionally, for 10 of the 22 activity transmittals, with amounts ranging from \$120 to \$7,164, the district recorded the money in the district's accounting system more than 1 week after the transmittal dates. District officials indicated snow days or scheduling conflicts may have contributed to the processing delays.

To properly account for all receipts and ensure money is properly accounted for and deposited, compliance with district procedures for the transmittal of student activity receipts is needed. The failure to timely record, transmit, and



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deposit money and properly perform and document verification procedures increases the risk of loss, theft, or misuse of funds.

3.2 Event sales

District personnel do not issue tickets to attendees and/or keep a tally sheet for athletic and school event attendance. 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 Superintendent indicated the district has considered this issue, but has not determined the appropriate changes needed. The district collected approximately \$5,800 in admissions fees for athletic and school events for the 2022-2023 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 amounts deposited.

Recommendations

The Board of Education:

- 3.1 Ensure receipts are promptly recorded and deposited and transmittal forms are properly completed and verified.
- 3.2 Ensure receipts deposited for all events are reconciled to paid attendance.

Auditee's Response

- 3.1 *The district is reviewing our procedures for receipts and deposits in both operations and activities accounts, and will update these procedures to include timeliness and verification procedures that must be adhered to.*
- 3.2 *A process will be implemented for all activities that includes recordkeeping of paid and non-paid attendees (example: those with a pass or employees with a badge) and a reconciliation with the event's receipts. This reconciliation shall be signed off by staff working the gate and the Athletic Director.*

4. Expenditure Procedures

District expenditure procedures need improvement. During the year ended June 30, 2023, the district incurred non-payroll expenditures totaling approximately \$3.9 million.

4.1 Board approval

The Board did not review and approve some expenditures. We judgmentally selected 40 expenditures totaling approximately \$1 million to test and noted 2 expenditures (including an expenditure for employee gift cards noted in section 4.3) for which Board approval was not documented and the expenditures were not included in the monthly check listing provided to the Board for review. According to a district official, the expenditures were paid



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immediately upon purchase and excluded from the listing provided to the Board because the items were already paid.

District policy DK requires the superintendent or designee to prepare and present to the Board each month a list of bills for approval. To reduce the risk of loss, theft, or misuse of funds, and ensure all transactions are accounted for properly and assets are adequately safeguarded, adequate controls, including Board review and approval of all expenditures, are necessary.

4.2 Purchasing cards

The district does not periodically review cardholder assignments for the district's Walmart purchasing cards and does not ensure former employees return cards upon termination of employment. Walmart purchasing card expenditures totaled approximately \$27,000 during the year ended June 30, 2023. Upon our request, district officials prepared a list of the cards assigned to various district personnel. The list indicated 17 cards were active, but only 12 cards were assigned and accounted for. District officials indicated the remaining 5 cards had not been returned by former employees and they were unaware the 5 cards remained active. They immediately deactivated the cards after our inquiries. According to district records, there was no activity on the 5 cards during the year ended June 30, 2023.

Failure to adequately account for active purchasing cards and not requiring employees to return cards at the end of employment could result in loss, theft, and misuse going undetected. District Policy DJF-1 requires employees to return cards upon termination of employment.

4.3 Employee gifts

The district does not have written policies on employer-provided gifts and spent \$3,625 in November 2022 on \$25 gift cards for each of the 145 district employees that may not have been a prudent, reasonable, or necessary use of district funds. According to the Superintendent, the gift card purchases were for employee appreciation at Thanksgiving.

The district has not established guidance or policies about gift purchases. Such guidance or policies can have various provisions. For example, the State of Missouri's agency provided gift and award policy allows for 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, such as a gift card, or a reward of substantial monetary value.

District residents have placed a fiduciary trust in their public officials to spend district funds in a prudent and necessary manner. Established policies on district-provided gifts would provide employees necessary guidance and better transparency for citizens about the use of public funds. Additionally, Article VI, Sections 23 and 25, of the Missouri Constitution prevent political subdivisions from granting public money to any private individual, except as otherwise provided by law.



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Recommendations

The Board of Education:

- 4.1 Develop procedures to ensure all expenditures are reviewed and approved by the Board, and the approval is documented.
- 4.2 Account for active purchasing cards, cancel any cards that are determined unnecessary, and ensure terminated employees return cards as required by Board policy.
- 4.3 Ensure all expenditures are a necessary and prudent use of district funds. In addition, the Board should establish policies regarding gift purchases, if such purchases are considered necessary.

Auditee's Response

- 4.1 *This matter is resolved. Beginning in July 2024, all expenditures from the date of the previous Board meeting are being provided for Board consent at each regular monthly Board meeting, including amounts already paid with administrative approval as allowed by Board policy. These financial documents are uploaded and available for public view on our BoardDocs site, accessible through the district's website.*
- 4.2 *This matter is resolved. The Board approved all district purchase cardholders and spending limits in open session on July 25, 2024. This list will be reviewed annually by the Superintendent and brought to the Board annually for approval, and terminated employees will be required to return cards.*
- 4.3 *The Superintendent will work with Missouri School Boards' Association to explore development of a policy on gift cards and employee gifts to recommend to the Board by December 2024.*

5. Budgets

The district did not prepare complete and timely annual district budgets for the fiscal years ended June 30, 2023, and 2024. For both budget years, in June, the Board adopted the actual revenues and expenditures from the prior fiscal year as the budgeted revenues and expenditures for the current fiscal year. The adopted budgets lacked many of the required elements for a complete budget, such as beginning and estimated ending fund balances, actual revenues and expenditures for the preceding two fiscal years, debt balances, and a budget message.

Subsequently, in February of both years, 7 months after the start of the district's fiscal year, the Superintendent prepared, and the Board approved, a new budget containing revised budgeted revenue and expenditure amounts and the other budget elements missing from the initial budgets. According to the Superintendent, the district has used this budget practice for several years



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and the Board has not considered changes to this practice. She also indicated other work priorities prevented her from preparing a complete budget sooner.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the information to be included in the budget.

A complete, timely, and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of district operations. It also assists in setting tax levies and employee salaries and stipends, and informing the public about district operations and current finances. Realistic projections of the district's revenues and expenditures are essential for the efficient management of finances and for communicating accurate financial data to district residents. Adopting an initial budget based on the prior year's actual revenues and expenditures is misleading to the public and prevents an accurate estimate of the district's financial condition.

Recommendation

The Board of Education develop procedures for the timely adoption of complete budgets that reflect realistic estimates for the ensuing year's activities.

Auditee's Response

A comprehensive and coherent annual budgeting process is currently under development by the Superintendent and will be implemented this school year. This process will include short-term and long-term planning and a calendar to streamline the timeline. The budgets will include all statutory requirements and will be used to drive decisions.

6. Sunshine Law

The Board did not always comply with the Sunshine Law or sufficiently document discussions to demonstrate Sunshine Law compliance.

Reasons for closed meetings

The Board did not document, in open meeting minutes, the specific reasons or sections of law allowing the meetings to be closed for any of the 27 closed meetings held from July 1, 2022, to December 31, 2023. Additionally, the notices and agendas for 2 of the meetings did not include the specific section of law allowing the closed meeting, but only indicated the meeting would be closed for personnel and student issues.

Allowable topics

The Board discussed and voted on some items in closed meetings that were not allowable under the Sunshine Law. For example, in one closed session meeting the Board discussed the preparation for electric buses, issues surrounding the safety of the parking lot entrance, and an update on an employee daycare facility. In another closed meeting, the Board voted to increase the money allotted for food and lodging for employees attending conferences.



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Insufficient detail

Some closed meeting minutes did not include sufficient detail to ensure topics discussed were allowable and included little or no description of the topics discussed. For example, the minutes for one closed meeting contained no indication of the discussions, and the minutes for another closed meeting indicated: "Several items for discussion were presented. No decisions made. Discussions were held."

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 Board actions. 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 may be closed only by making specific reference to the specific section of law allowed for closing the meeting and that must be announced publicly at the open session and entered into the minutes. The Superintendent indicated the Board is generally aware of the Sunshine Law, but sometimes made mistakes in its efforts to comply with the requirements of the law.

Recommendation

The Board of Education ensure specific reasons for closing a meeting are documented in the open minutes and only topics allowed by state law are discussed in closed meetings. In addition, the Board should ensure meeting minutes are complete, accurate, and sufficiently detailed.

Auditee's Response

This matter is resolved. Board members have attended training to increase their understanding of the Sunshine Law and Board meeting procedures, and the Board will also send at least one member for parliamentary training annually. The Superintendent's secretary has begun attending meetings to assist the Board Secretary in keeping accurate and detailed minutes. Motions to move to closed session will include the statutory reason for doing so.

**7. Attendance Data
Changes**

The Board has not developed procedures to limit the time period when attendance changes can be made, and district officials independent of the attendance entry and change process do not review changes made to 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 principal and attendance secretary 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 principal or attendance secretary. Although documentation is maintained to support changes made, it is not reviewed by independent or supervisory district officials. Instead, the Superintendent indicated each school principal and attendance secretary quarterly audit the attendance data for their school and these individuals also



Kingston K-14 School District
Management Advisory Report - State Auditor's Findings

review overall attendance for patterns and irregularities for their school. The Superintendent believes these procedures are sufficient to ensure accurate attendance data.

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 (DESE). However, without limiting the time frame during which attendance system changes can be made or having independent or supervisory personnel review 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 by independent or supervisory personnel.

Auditee's Response

This matter is resolved. An attendance review process has been developed that includes review by the building administrator and central office administration. Corrections to attendance data will be allowed for 30 days beyond the end of each quarter, with no additional changes allowed after that deadline.

Kingston K-14 School District

Organization and Statistical Information

The Kingston K-14 School District is located in the eastern part of Missouri, covering parts of Washington and Jefferson counties.

The district operates a high school (grades 9-12), a junior high school (grades 6-8), an elementary school (grades 3-5), and a primary school (grades PreK-2). Enrollment was 823 for the 2022-2023 school year. The district employed 151 full- and part-time employees, at June 30, 2023.

The Kingston K-14 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, 2023, were

- Bonnie Daugherty, President
- Kevin Missey, Vice President
- Josh Barton, Member
- Brenda Horton, Member
- William Sampson, Member
- Katie Pyatt, Member
- Jordan Kincaid, Member

Superintendent

The district's superintendent at June 30, 2023, was Dr. Lee Ann Wallace and her annual compensation was \$153,575. The superintendent's compensation is established by the school board.

Salary Averages - Administrators and Teachers

Average salaries for district administrators and teachers for each of the 5 fiscal years through the year ended June 30, 2023, were as follows:

Year Ended June 30,	Average Annual Salaries			
	Administrators			Teachers
	Central Office	Building	All	
2019	N/A ¹	N/A ¹	\$ 83,710	\$ 42,279
2020	N/A ¹	N/A ¹	86,500	45,181
2021	\$ 106,889	\$ 76,849	86,092	45,641
2022	104,847	78,445	88,981	45,455
2023	109,259	77,442	89,012	45,834

¹ Data separating the salaries for administrators at the buildings and at the central office was not available and those salaries were combined for 2019 and 2020.

Source: Missouri Comprehensive Data System, <<https://apps.dese.mo.gov/MCDS/Home.aspx>>, accessed May 16, 2024.

Financial Activity

A summary of the district's financial activity obtained from the district's audited financial statements for the year ended June 30, 2023, follows.



Kingston K-14 School District
Organization and Statistical Information

Kingston K-14 School District
Statement of Receipts, Disbursements and Changes in Fund Balance – Modified Cash Basis
All Governmental Funds
Year Ended June 30, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
CASH RECEIPTS					
Local	\$ 1,991,613	\$ 807,454	\$ 414,394	\$ 356,186	\$ 3,569,647
County	547,331	13,633	181,023	-	741,987
State	1,602,068	3,949,621	-	150,000	5,701,689
Federal	1,666,401	797,416	-	998,619	3,462,436
Other	173,752	-	-	-	173,752
TOTAL CASH RECEIPTS	5,981,165	5,568,124	595,417	1,504,805	13,649,511
CASH DISBURSEMENTS					
Current					
Instruction	789,117	4,139,537	-	16,000	4,944,654
Attendance and social work services	544	23,606	-	-	24,150
Guidance	52,489	201,488	-	-	253,977
Health services	362,825	-	-	-	362,825
Improvement of instruction	47,476	60,696	-	-	108,172
Professional development	44,329	8,609	-	-	52,938
Media services	1,771	113,688	-	-	115,459
Board of Education services	56,792	-	-	-	56,792
Executive administration	478,246	440,501	-	5,101	923,848
Building level administration	148,234	475,366	-	-	623,600
Business, fiscal, internal services	6,478	-	-	-	6,478
Operation of plant	865,882	-	-	30,926	896,808
Security services	52,402	-	-	6,000	58,402
Pupil transportation	524,361	37,366	-	32,763	594,490
Food service	594,014	-	-	160,370	754,384
Central office support services	56,302	-	-	-	56,302
Community services	147,794	48,469	-	2,953	199,216
Capital outlay	-	-	-	1,196,293	1,196,293
Debt service					
Principal	-	-	200,000	34,189	234,189
Interest and other charges	-	-	140,589	16,645	157,234
TOTAL CASH DISBURSEMENTS	4,229,056	5,549,326	340,589	1,501,240	11,620,211
Cash receipts in excess of (less than) cash disbursements	1,752,109	18,798	254,828	3,565	2,029,300
OTHER FINANCING SOURCES (USES)					
Construction bond proceeds	-	-	-	3,350,000	3,350,000
Proceeds from sale of assets	5,094	-	-	12,000	17,094
Net insurance recovery	-	-	-	12,154	12,154
Transfers	(151,179)	103,911	-	47,268	-
Fund balance, beginning of year	6,690,661	-	398,105	777,943	7,866,709
Fund balance, end of year	\$ 8,296,685	\$ 122,709	\$ 652,933	\$ 4,202,930	\$13,275,257

The notes to the financial statements are an integral part of this statement.