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Missouri State Auditor

Francis Howell R-III School District

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CITIZENS SUMMARY

Findings in the audit of the Francis Howell R-III School District

Proposition S

District officials were not transparent with the Board or the public about the Francis Howell North High School (FHN) construction cost estimates and the Board did not question information provided or always request additional information when approving construction bids. The district publicized significantly underestimated costs for the FHN construction as part of its Proposition S marketing materials. Even after district officials became aware of project scope changes and higher costs, they withheld this information from the Board and the public for almost a year. The FHN project final guaranteed maximum price (GMP) nearly doubled from the original estimate of approximately \$86 million to over \$164 million as of November 2021.

While district officials were not transparent with the Board or the public, the Board also did not ensure various committees and design teams related to Proposition S provided periodic cost updates on projects during the initial construction phases or maintained meeting minutes, and the Board did not request additional information early in the FHN project. As a result, the Board made decisions with insufficient knowledge or understanding of the financial impact of those decisions. As of March 2024, district officials have identified 71 originally planned Prop S projects, totaling at least \$56.18 million, that will not be completed. Of those, 22 projects were classified as no longer needed, but the district classified the remaining 49 as requiring additional funding or "further evaluation and prioritization based on district wide-needs." Projects were eliminated due to the inaccurate original estimates and increased costs of the new FHN and other projects.

District officials did not use a transparent and competitive process to select key personnel responsible for the planning and oversight of the Proposition S projects. District officials' insistence that project management firms hire a former district employee as the project manager improperly limited the eligible candidates. The added requirement prevented the highest ranked firm from being chosen and resulted in the Board selecting a firm that district officials had previously determined to be inferior. The former employee worked for this firm and the firm was owned by his brother.

A June 12, 2020, draft of the Board recommendation memo lists the advantages of the various project management firms evaluated including the highest scoring firm's agreement to hire the former district employee for on-site project management services and indicates district officials recommended the Board approve that firm as the project manager. On June 17, 2020, the day before the meeting when the Board was scheduled to vote on the selection, the recommendation document was edited to show district officials no longer recommended the highest ranked firm and instead recommended a lower ranked firm owned by the former district employee's brother. On the same day, an email from the former district employee indicated he and his company always intended to work directly with the district and would not be able to partner with another firm. As a result, the district's insistence on his participation always limited the eligible firms to only 1 firm.

The district also did not request qualifications for architectural services for the Proposition S construction projects as required.

Safety Drills	District schools did not perform safety drills in accordance with policy and/or did not sufficiently document or review drills performed. In addition, Board safety drill regulations and guidance are inconsistent. A review of drills held at 22 of the 23 district schools found 9 did not conduct intruder drills as required, 2 did not conduct fire drills as required, and 11 did not have the first 2 fire drills within the first 2 weeks of school as required.
Attendance	The district's attendance system does not sufficiently limit the time period when changes can be made and there is no review by district officials to ensure changes made to current school year attendance records are appropriate, some users have more access in the attendance system than required for their job duties. The district claimed student attendance when students were not present because certain attendance codes were improperly programmed into the attendance system. The district overstated student attendance hours for the 3 high schools by approximately 1,617 hours for the 2021-2022 school year and 1,458 for the 2022-2023 school year. The overstated student attendance hours resulted in approximately \$11,500 in total excess state funding for the 3 schools over the two school years.
District Financing	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 bonds were also sold in a private sale without advertisement. The district's bond underwriter received fees for the bond issuances totaling approximately \$1.6 million. While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting bond underwriters, 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 Municipal Securities Rulemaking Board 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.
Accounting and Cash Handling Controls and Procedures	The district does not provide sufficient guidance to schools on how to handle receipts, and cash handling procedures are inconsistent. Some school personnel maintained their own procedures while others indicated cash handling processes were communicated from previous employees. District officials have not adequately segregated duties, or performed documented supervisory or independent reviews of the accounting records. Inconsistent procedures and weaknesses exist in receipting, transmitting, depositing, and securing money received at some schools. District officials were not aware of all money maintained at school buildings. Finance department personnel did not know that any school maintained a petty cash fund, although district policy and the Business Operations Manual allow for such funds at the approval of the Chief Financial Officer.
Payroll and Personnel Procedures	District policies and regulations do not reflect the maximum vacation leave balances that chief, director, and manager level employees may carry over from year to year. The district does not properly report commuting mileage as a taxable fringe benefit for employees who commute with district-owned vehicles. Employment records for several employees were not complete. Some payroll employees had more access in the payroll and leave systems than required for their job duties and there is no review or secondary approval for new employee profiles created by human resources staff. A review of the payroll software noted 3 payroll employees had the ability to add new

employees to the system and to change pay rates when their job duties were limited to processing payroll for existing employees at established pay rates.

District Property

The district did not provide sufficient guidance to building officials on how to track school property, and as a result, building level property records are inconsistent or nonexistent. Of the 23 buildings in the district, officials for 12 buildings indicated they did not have a building property list.

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

*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
Francis Howell R-III School District

The State Auditor conducted an audit of the Francis Howell R-III School District under the authority granted in Section 29.205, RSMo. We have audited certain operations of the district in fulfillment of our duties. The district engaged Schowalter & Jabouri, P.C., Certified Public Accountants & Advisors, 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 reports for the years ended June 30, 2022, and June 30, 2023. 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 Francis Howell R-III School District.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive style with a large initial "S" and a long horizontal line extending from the top of the "F".

Scott Fitzpatrick
State Auditor

Francis Howell R-III School District

Management Advisory Report

State Auditor's Findings

1. Proposition S

The district did not plan, procure, or develop bond financed projects in an open and transparent manner for its Proposition S ballot initiative projects. This contributed to the Board making uninformed project decisions and public dissatisfaction. The district publicized unrealistic construction costs and project projections prior to the bond vote, costs were significantly higher than projected, and now fewer projects will be completed with bond funding than advertised to voters. As of July 31, 2024, the district had Proposition S bond revenues from investment earnings, bond premiums, and bond sales of approximately \$288 million, and had spent or encumbered \$233 million for various projects.

In 2018, the district contracted with an architectural firm to develop a Comprehensive Facilities Master Plan (CFMP) and identify capital project needs throughout the district. The Board then began the process of obtaining voter approval for a \$244 million bond issuance, known as Proposition S, to address the identified needs. As part of the district's efforts to obtain voter approval, it provided a listing of proposed projects to be completed in two phases and the estimated costs of those projects. This information indicated the district would use the funding to address projects at 21 schools and district facilities, with the most significant outlay going towards building a new Francis Howell North High School (FHN). The voters approved the bond issuance in June 2020 and soon after the district began the initial process for construction of the new building. The new FHN opened to students in August 2024. The project, including demolition of the old building, is expected to be complete in 2025.

The Board chose to use a construction manager at risk (CMAR) process for the FHN building project. The CMAR process provides for selecting a construction manager through a request for qualifications process. That construction manager then uses the established scope of work and project designs to request bids for construction and presents a guaranteed maximum price (GMP) for a project based on bids received. The district is responsible for paying the GMP if there are no significant project scope changes, and any cost overruns after the GMP is established are assumed by the construction manager. District officials and the project management firm recommended the CMAR process due to its potential time savings. For the FHN project, the construction manager accepted bids from contractors for the significant portion of the project based on building designs that were 95 percent complete. The GMP was developed based on these and earlier bid packages approved by the Board. The construction manager presented the GMP of \$164.7 million to the Board in November 2021, over a year after initial construction began. The time used to develop the project designs contributed to the extended time it took to determine and present the GMP to the Board.

1.1 Construction costs

District officials were not transparent with the Board or the public about the FHN construction cost estimates and the Board did not question information



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Cost estimates

provided or always request additional information when approving construction bids.

The district publicized significantly underestimated costs for the FHN construction as part of its Proposition S marketing materials. Even after district officials became aware of project scope changes and higher costs, they withheld this information from the Board and the public for almost a year. The FHN project final GMP nearly doubled from the original estimate of approximately \$86 million to over \$164 million as of November 2021.

Proposition S marketing materials estimated the cost of the new FHN to be \$86.35 million. Neither the architect charged with developing the original estimates nor district officials could fully explain the origin of this estimate. As early as 2018, the architect estimated the costs to be \$93.5 million in the approved CFMP based on square footage and similar school construction costs. In 2019, the architects presented the Facilities Advisory Committee¹ with costs ranging from \$86.35 to \$97.5 million, depending on the size and scope of the building. The Facilities Advisory Committee presented only the \$86.35 million amount to the full Board in August 2019 as part of its overall presentation of the various bond and project options. No one questioned including the lower amount in the Proposition S materials.

In November 2020, officials presented an estimate of \$91.35 million to the Board, but the \$86.35 million estimate remained the publically discussed cost for approximately a year. The April 2021 meeting materials show the Board was presented an estimate of \$83.35 million. The following is a portion of the slide presented to the Board at the April meeting showing the project status and budget (red oval added by SAO for emphasis). Subsequent meeting updates in the summer of 2021 did not include cost estimates.

Project #	Project Name	Status	Budget	Encumbranc	Expense	Balance Remaini
1B	New Francis Howell North High School	In progress	\$83,350,000	\$0	\$0	\$83,350,000
3B	District Wide Security Vestibules	In progress	\$2,160,000	\$1,863,300	\$0	\$296,700
6B1	Fairmount Elementary Portable Classroom	Completed	\$150,000	\$0	\$166,464	(\$16,464)
19B	801 Corporate Center	In progress	\$10,000,000	\$3,275	\$200,000	\$9,796,725
BM1a	New Build & Maintenance Packages Design Fees	On Going	\$9,224,078	\$667,107	\$1,214,224	\$7,342,747
M1a	Becky-David Elementary HVAC updates	In progress	\$3,350,820	\$3,070,510	\$0	\$280,310
M1c	Francis Howell Middle HVAC updates	In progress	\$3,300,000	\$288,560	\$0	\$3,011,440
M1h	Bryan Middle-HVAC updates	In progress	\$3,954,000	\$14,841	\$0	\$3,939,159
M2a	Becky-David Elementary Interior/Exterior updates	In progress	\$1,842,951	\$537,731	\$0	\$1,305,220
M3j	Warren Elementary Parking Lots, Playgrounds, Fields	In progress	\$512,500	\$0	\$198,346	\$314,154
M3m	Hollenbeck Middle Parking Lots, Playgrounds, Fields	In progress	\$554,025	\$0	\$124,500	\$429,525
M5a	District Wide Signage	In progress	\$60,000	\$5,000	\$0	\$55,000

While the lower estimates were presented to the Board, the construction manager provided increasing estimates of the total costs/GMP to district

¹ Committee members include, but are not limited to, the project manager, the district facilities and operations director, school building administrators, district maintenance personnel, and at least one Board member.



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officials. There is no documentation to indicate that officials requested a final GMP during this time, and instead allowed for the continued revisions while architectural plans were finalized. The following is a timeline of when cost estimates were available to district personnel, the related project scope, and whether or not the Board was notified.

Estimate Origin	Timeframe	Cost Estimate	BOE Notified	Size
Architect	2018	\$ 93.5 million	Yes	380,000 sq. ft.
Architect	July 2019	86.35 - 97.5 million	No	Not included
Published Estimate	2019-2020	86.35 million	Yes	Not included
Proposition S Design Team	November 2020	91.35 million	Yes	Not included
Construction Manager	February 2021	105 million	No	410,000 sq. ft.
Construction Manager	May 2021	116 million	No	410,000 sq. ft.
Construction Manager	August 2021	135 - 145 million	No	410,000 sq. ft.
Project Manager	November 2021	164.7 million	Yes	410,000 sq. ft.

In September 2021, when a Board member asked how much over budget the new FHN building would be, the former Chief Operating Officer (COO) only indicated that the costs would be higher than originally projected. He also indicated it would be "short-sighted" to provide an estimate, even though he was aware the construction manager estimated the preliminary GMP to be at least \$135 million at that point. In October 2021, a Board member, acknowledging it would be just an estimate, asked for a broad estimate of what percentage the project would be over the original estimates based on bids received. The Board member asked in the recorded Board meeting, "Do we have any idea; I mean are we talking 60-70 percent, [or are] we talking 10-20 percent? Do you have a guess [in relation to the overages]?" The former COO again explained why they could not provide such an estimate indicating they did not want to "tip their hand" about potential "inflationary expectations" while there was the possibility to negotiate pricing. However, the bids were opened in a public Zoom meeting, so it is unlikely the general estimate would have significantly impacted any possible negotiations and could have been provided to the Board.

When the Board was finally provided the GMP in November 2021, a year after selecting the construction manager, members expressed dissatisfaction and requested more information about how the costs nearly doubled from the original estimates. The public also expressed significant concerns with the lack of information and the dramatic increase in prices over the original estimate. Only after this did district officials, along with the various project vendors, present more detailed explanations of the estimates and scope changes that contributed to the increased GMP.



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The district and its construction manager attributed the higher than expected GMP to insufficient original estimates that did not take into account annual inflationary increases, increased square footage and project scope, and the unprecedented materials cost increases associated with the COVID-19 pandemic. We compared costs of a new building project completed in 2022 in another Missouri school district and noted the costs were within \$30 per square foot of the actual costs for the new FHN building. The district did a similar analysis with a different Missouri school district and noted costs, adjusted for inflation, were within \$20 per square foot of the new FHN building costs.

While some cost increases may have been unavoidable or unpredictable at the time of the original marketing material estimates, periodic updates by district officials of the known square footage and scope changes and estimated cost increases would have better prepared the Board and public for the final GMP. This also would have allowed for realistic expectations of what district-wide improvements were possible with the \$244 million in bond funding. The former Superintendent only acknowledged this after increased scrutiny by the Board and the public.

Board oversight

Opportunities existed for additional Board involvement. While district officials were not transparent with the Board or the public, the Board also did not ensure various committees and design teams related to Proposition S provided periodic cost updates on projects during the initial construction phases or maintained meeting minutes, and the Board did not request additional information early in the FHN project. As a result, the Board made decisions with insufficient knowledge or understanding of the financial impact of those decisions.

The Board relied on its various committees/teams to oversee the different stages of planning and monitoring Proposition S projects, but did not require them to provide detailed project updates until 2022, after the GMP was announced and public outcry became prevalent. District policy also did not address what updates should be provided by the committee and teams during regular Board meetings. While presentations or construction update reports regarding Proposition S projects were given in 20 Board meetings from June 2020 to November 2021,² they were often limited to construction status and did not include information about all project costs, scope changes at the new FHN, or details regarding value engineering³ efforts. If detailed updates had been provided, the Board would have been aware of increasing costs and may

² The final GMP was presented to the Board in November 2021.

³ Value engineering is defined as analysis of designed building features, systems, equipment, and material selections to achieve functions and enhance results while reducing the life-cycle cost.



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have been able to request or require a more timely GMP from the construction manager.

Committee and team members included the project manager, former COO, Superintendent, a Board member, and representatives from the architectural firm. The design teams met as early as 2020 and made significant decisions regarding Proposition S projects, including adding an additional 30,000 square feet to the scope of the FHN project, that were not communicated to the full Board. District officials indicated the FHN Design Team ceased meeting in June 2021, but the Proposition S Design Team continued to meet and district records indicate FHN matters were discussed by that team. Additionally, a Board member was part of both teams and did not update the Board. The former Board member indicated that any costs that may have been mentioned in design team meetings were not final costs and could have changed, so they were not discussed beyond the team. The lack of periodic updates limited the Board's ability to make informed decisions and reduced the transparency of the projects. Also, the presence of a Board member on such teams is ineffective if the member does not update the Board and subsequently provide the Board's perspective to the design teams based on those discussions.

The Board also did not ensure design teams maintained meeting minutes to document discussions or decisions made until 2022, when the Board required Proposition S teams to provide more formal Board presentations. Without these, there is little official record of the early planning and development process for Proposition S projects. Section 610.010, RSMo, identifies school districts, the related Boards, and Board committees as subject to the Sunshine Law. Section 610.020.7, RSMo, requires minutes of open and closed meetings be taken and retained by the public governmental body.

Bid approval

The Board approved \$38 million, 44 percent of the publicized estimated cost, for 4 FHN bid packages prior to the final GMP. By the time the final GMP was available, the Board had little choice but to approve it without delaying the already started project and rebidding the remaining work. The Board approved bid packages in April, June, August, and September 2021 for approximately \$3.9 million, \$12.8 million, \$2.9 million, and \$18.3 million, respectively. The Board approved the packages in April, June, and August without questioning the impact on the overall GMP despite those costs representing approximately 23 percent of the publicized estimate. Board members requested an estimate of budget overages for the FHN in September 2021, but that bid package was approved without an estimate given. When the Board voted on the final GMP in December 2021, it was faced with only a motion to approve the total or delay the project to reconsider and rebid. During this Board meeting, district personnel, the project manager, and one Board member indicated rebidding would not necessarily result in lower costs and would take time. Additionally, the district would remain obligated to pay



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the \$38 million in approved bid packages because construction on the building had already begun.

Eliminated projects

As of March 2024, district officials have identified 71 originally planned Prop S projects, totaling at least \$56.18 million, that will not be completed. Of those, 22 of the projects were classified as no longer needed, but the district classified the remaining 49 as requiring additional funding or "further evaluation and prioritization based on district wide-needs." Projects were eliminated due to the inaccurate original estimates and increased costs of the new FHN and other projects. Eliminated projects that district officials recommended for future resource use include interior renovations, roof replacements at some schools, exterior renovations at middle schools, and heating, ventilation, and air conditioning (HVAC) updates.

Conclusion

The Board of Education and district officials have a fiduciary responsibility to the taxpayers of the district to ensure complete transparency for all transactions of the district. Transparent decisions, community support, and consent among decision makers are generally needed for large projects to proceed economically and efficiently. Clear documentation to support decisions made is important to establish trust and maintain support. The lack of transparency and documentation supporting the decisions made by the district did not create the trust needed among stakeholders (i.e., taxpayers, vendors, and government officials) for the project to succeed. Additionally, this erosion of public trust may impact the district's ability to obtain future voter-approved funding for any of its unfinished projects.

According to the Government Finance Officers Association (GFOA), "The underlying reason for transparency is to help create trust among citizens, government administrators, and elected officials"⁴ and when "citizens believe that decisions are fact based and take all concerns into consideration, they are more likely to support those decisions."⁵ Establishing policies and procedures that ensure the Board is aware of all stages of a project would provide additional assurance the Board is executing its fiduciary responsibility.

1.2 Project Manager and
Architect Selection

District officials did not use a transparent and competitive process to select key personnel responsible for the planning and oversight of the Proposition S projects.

Project manager

District officials' insistence that project management firms hire a former district employee as the project manager improperly limited the eligible

⁴ Government Finance Officers Association, *Transparency: A Means to Improving Citizen Trust in Government*, January 2018, <<https://www.gfoa.org/materials/transparency-a-means-to-improving-citizen-trust>>, accessed September 24, 2024.

⁵ Government Finance Officers Association, *Code of Ethics*, <<https://www.gfoa.org/code-of-ethics>>, accessed September 24, 2024.



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candidates. The district did not include the requirement to hire the former district employee in the original request for qualifications (RFQ) and there is no documentation to support when this was added or why this was a condition for selection. The requirement prevented the highest ranked firm from being chosen and resulted in the Board selecting a firm that district officials had previously determined to be inferior. The former employee worked for this firm and the firm was owned by his brother. Without documentation, the Board cannot support why it made these decisions or demonstrate that the process was fair and in the best interest of the district. At a minimum, the awarding of this contract gives the appearance of bias towards a former employee and his brother's firm and a potential conflict of interest.

In May 2020, the district issued an RFQ for project management services for the Proposition S projects. The district received 4 responses that were reviewed for company and team qualifications, resources, scope of services offered and extent to which they met or exceeded the needs of the district, total costs of services, and understanding of the work required as evidenced in the proposal. District officials reviewed the proposals, interviewed 3 of the 4 respondents (the fourth was eliminated from consideration due to the higher costs of the proposal), and scored the firms based on the criteria listed. A June 12, 2020, draft of the Board recommendation memo indicates one firm scored highest at 19 points, a second firm scored 18 points, and the eventual firm selected scored only 16 points. The draft lists the advantages of the various firms, including the highest scoring firm's agreement to hire the former district employee for on-site project management services and indicates district officials recommended the Board approve that firm as the project manager.

However, on June 17, 2020, the day before the meeting when the Board was scheduled to vote on the selection, the recommendation document was edited to show the highest ranked firm was no longer recommended. The statement about the highest ranking firm agreeing to work with the district-required individual was deleted, and officials were instead recommending the firm that only scored 16 points. While the recommendation changed, no additional information was included to demonstrate how this firm was now a better option.

During the June 18, 2020, Board meeting, some members expressed concern about the late change because they did not have the opportunity to perform necessary research and asked if the vote should be postponed. The former COO responded that postponing would further delay construction. Board members also inquired as to whether the recommendation would be the same if the former district employee was no longer with the firm and noted the recommendation appeared to significantly depend on this one person's participation. The former COO responded that he was confident the former district employee would not be reassigned to another project. The Board



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eventually voted to select the recommended firm at this meeting with only 1 nay vote.

District officials gave varied reasoning as to why they believed having the former district employee involved was critical, including his previous contractor experience with the district in 2008, his familial relationship with the owner of the selected project management firm, and his previous employment with the district. The former COO, who made the recommendation to the Board, did not respond to our multiple requests to meet and discuss the sudden selection change. However, in the June 18, 2020, Board meeting, he indicated the individual's significance was based on prior experience with the district during the 2008 bond projects. It is unclear why participation in a project 12 years prior would be significant to current projects. A June 17, 2020, email from the individual indicated he and his company always intended to work directly with the district and would not be able to partner with another firm. As a result, the district's insistence on his participation always limited the eligible firms to only 1 firm. The reasons given all indicate at least the appearance of bias for the former employee, and because this person was only able to work for one firm, it also gives an appearance of bias towards that firm.

Architectural services

The district also did not request qualifications for architectural services for the Proposition S construction projects as required. As a result, there is no assurance the district received the best candidate for the project. District personnel last solicited qualifications for architectural services in 2018 for the purpose of developing the long-term facility master plan and entered into a contract with a firm for that purpose in May 2018. The chosen firm was recommended, in part, due to its relationship with the district including providing services for the 2008 bond projects.

In July 2020, the former COO brought the need for an architectural firm for the Proposition S projects to the Board's attention. At that time, he recommended continuing to use the same firm that created the CFMP. The Board approved the firm based on this discussion of the firm's prior work despite recent work only relating to the CFMP. One Board member expressed the need to consider bids and the COO noted it would be a request for qualifications, but there was no further discussion about requesting qualifications from other firms. Additionally, rather than entering into a new contract, the architectural firm's existing contract was amended with updated hourly rates for the new work.

Conclusion

Sections 8.285 to 8.291, RSMo, provide the requirements for obtaining, evaluating, and negotiating for architectural services. The solicitation of quotations and proposals and a transparent competitive selection process for architectural and project management services would have helped alleviate concerns of conflicts, and would have provided assurance to the public that



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tax dollars were being spent wisely and services were provided at a reasonable cost. Good business practices require sound, practical approaches when evaluating and selecting proposals from prospective vendors as well as ensuring all requirements are clear and completely defined and communicated to all parties. More frequent solicitation and evaluation of firm qualifications, especially related to current projects, would help ensure the selected firm meets the needs of the district.

Recommendations

The Board of Education:

- 1.1 Ensure full transparency for all existing and future capital projects, including establishing policies and procedures to require detailed updates of project progress and costs and to ensure meeting minutes are taken by all committees. In addition, the Board should ensure it has received all the information necessary to fully evaluate the project before approving capital project bids and contracts.
- 1.2 Ensure the selection process is equitable and transparent and qualification requests do not unfairly limit eligible candidates. In addition, the Board should periodically request and evaluate qualifications for architectural services.

Auditee's Response

- 1.1 *During the March 16, 2023, Board of Education (BOE) meeting, a comprehensive report from the new superintendent on key findings and the go-forward plan was provided. The presentation included a formal analysis of the policy, regulation, systems, processes, and decision-making protocols utilized relative to the bond program, referred to as Proposition S (Prop S). The goal of the process review was to (1) develop a clear understanding of what worked well and what needed improvement, (2) determine the necessary changes, (3) inform future Prop S work, and (4) rebuild trust with stakeholders. The summary of that report indicated that the Board, and therefore public, were not accurately informed nor consistently engaged by the previous administration regarding project changes or early pandemic impacts, and that Board oversight was impacted by inconsistent communication from the previous administration regarding Prop S Design Team decisions including scope change. A clear process has been established and is consistently followed for construction projects including the Board giving approval to: explore a project, approve initial design development, approve schematic design development, approve final design development and letting bids, and approve the final bid. Depending on the project, some phases are combined and the Board is provided a comprehensive update and approval is sought. The Board is consistently provided updated budget estimates as information is*



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known. To protect the bid process, the updated estimate is provided within a separate communication.

A comprehensive Proposition S update was provided during the September 21, 2023, meeting including a financial overview and recommended next steps, and a Board of Education work session was held March 14, 2024, to seek approval from the Board for utilization of the remaining bond funds. In addition to routine approvals, bond financial information is posted monthly as part of the Financial Report for Board of Education approval.

Regarding the eliminated projects, the report notes that 71 originally planned Prop S projects will not be completed. As was reported during the March 14, 2024, Board work session, 22 of the 71 projects were identified as no longer needed for a variety of reasons including: (1) the work had already been performed previously, (2) the space is sufficient to meet staff and student enrollment needs, (3) no need is currently identified, and (4) in one instance space does not exist on the property to allow for a sports field addition. The remaining 49 projects will be further evaluated, and a plan for addressing needs will be developed.

For future bond issue projects, the administration recommends investing in drawings for more accurate cost estimates, ensuring annual inflation is included based on anticipated bid dates, conducting a thorough review of any contract, and including soft costs, design fees, contingencies, and costs associated with needed furniture, fixtures, and equipment to complete the project. To identify current facility priorities and student enrollment impacts to the district, the administration recommends an updated facility master plan and demographic study be secured. Committee formation and requirements for minutes will align to BOE policy.

- 1.2 *Appropriate protocols are now being followed to ensure any selection process includes an equitable and transparent process, and that eligible candidates are fairly included. Effective July 1, 2024, a new Purchasing Manager position was approved by the Board. The job responsibilities include ensuring appropriate procedures are followed. Currently, the responsibility areas do not include construction-related bids. As the position responsibilities are more fully developed, the role will be expanded to include monitoring construction bids.*

An RFQ for Architect and Engineering Services was issued May 2, 2024. Responses were received from 11 firms and five firms were invited to interview with a team of Board of Education members and



administrators. Qualifications considered experience of the company and the team assigned to the district, resources of the company to support the district, and the scope of services offered. Following the interview team decision on firm recommendation, the fee structure was negotiated. A recommendation was provided to the Board during the June 6, 2024, meeting to approve an agreement with Hollis + Miller Architects, partnering with RTM Engineering and McClure Engineering.

2. Safety Drills

District schools did not perform safety drills in accordance with policy and/or did not sufficiently document or review drills performed. In addition, Board safety drill regulations and guidance are inconsistent.

Safety Drills

We judgmentally selected and reviewed 2022-2023 school year safety drill documentation for 22 of the 23 schools (3 early childhood centers, 10 elementary schools, 5 middle schools, the 3 high schools, and 1 academy) and identified the following issues:

- Of the 22 schools, 9 (41 percent) did not conduct intruder drills as required. Of the 9 schools, 1 did not have 1 of the 2 required planned drills, 2 counted the same drill as both a planned and surprise drill, and 3 did not have a surprise intruder drill as required. For 3 additional schools and 1 that counted the same drill as a planned and surprise drill, documentation indicates they had their 2 planned intruder drills in the same semester rather than 1 per semester as required. Documentation for 3 more schools shows they conducted all 3 intruder drills, but did not indicate which of the drills was a surprise drill.
- Of the 22 schools, 2 schools (9 percent) did not conduct fire drills as required. Of the 2, 1 counted drills held before and after the school year and a date the school had to shut down due to an electric outage as fire drills. Another school held all 10 drills, but 4 of the 10 drills were conducted in May when guidelines recommend approximately 1 per month.
- Of the 22 schools, 11 did not have the first 2 fire drills within the first 2 weeks of school as required.
- Of the 22 schools, 5 had the 2 required tornado drills, but had them in the same semester rather than 1 per semester as required.
- Of the 22 schools, 3 had the 2 required earthquake drills, but had them in the same semester rather than 1 per semester as required.

District review procedures

District officials indicated safety drill records are submitted at the end of each school year, but none of the documentation indicates it was reviewed or there



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was any follow up on the missing drill information. District officials also indicated they perform safety audits, but were unaware of the inconsistencies in school safety drills held. Our review of 2022-2023 audit documentation shows officials audited 9 of the 23 schools for the 2022-2023 school year with the plan to audit the remaining schools during the 2023-2024 school year. District officials audited 18 schools in the 2023-2024 school year including the previous 9 schools again, leaving 4 schools unaudited in the two-year period. The audit documentation for the 2022-2023 school year indicates safety drill records were not reviewed for any of the 9 schools during their safety audits. Our review found issues with drills held at 6 of these schools. Records indicate drill documentation was reviewed at all schools audited in the 2023-2024 school year.

District safety drill
guidelines

District safety drill regulations and guidelines, forms, and documentation are inconsistent. Board regulation 5240 requires 1 fire drill during the first week of school and 9 the rest of the year, as well as 2 earthquake and tornado drills during the year. However, the School Safety Emergency Drill guidelines indicate 2 fire drills should be conducted during the first 2 weeks of school and the remaining 8 held approximately once per month. The guidelines also specify that earthquake and tornado drills be held once per semester and also indicate 1 intruder drill should be held once per semester. Neither document discusses the requirement for a surprise intruder drill, but district officials indicated these were required and most safety drill forms included a place to document a surprise intruder drill in addition to the 2 planned drills. Safety drill forms reviewed generally followed the number and timing of drills in accordance with the guidelines, but the versions of the forms and the level of detail varied between schools.

Conclusion

Board policy 5240 provides general safety information for the district. Board regulation 5240 and the School Safety Emergency Drill guidelines specify the required number and timing of safety drills to be held. Properly planned, executed, and documented emergency drills are necessary, to the extent possible, to ensure the safety of all students, staff, and visitors in district facilities. Supporting documentation of drills and sufficient review of documentation is necessary to demonstrate compliance with Board regulations. Also, to avoid confusion and ensure drills are conducted in accordance with the Board's intentions, consistent safety drill policies, regulations, and guidelines are necessary.

Recommendation

The Board of Education ensure safety drills are conducted as required and appropriately documented and ensure policies, regulations, and guidelines are consistent and appropriately communicated.

Auditee's Response

The administration will ensure all required safety drills are conducted and documented and ensure policies, regulations, and guidelines are appropriately and consistently communicated. Board Regulation 5240



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addresses the required drills at sites, and a policy will be considered. The Board will be updated at least semi-annually regarding the status of drills that have been conducted.

A comprehensive review of all safety policies, procedures, protocols, and communications is underway. A recommendation was approved by the Board during the September 19, 2024, meeting to engage a consultant in association with the Missouri School Boards' Association Center for Education Safety for a thorough assessment and recommendation regarding safety and security. That evaluation began in October 2024 and is anticipated to conclude no later than December 2024. A full recommendation will be provided to the Board of Education.

3. Attendance

The district does not have sufficient procedures to limit access to attendance records. In addition, attendance coding and training procedures need improvement.

3.1 Attendance system

The district's attendance system does not sufficiently limit the time period when changes can be made and there is no review by district officials to ensure changes made to current school year attendance records are appropriate, and some users have more access in the attendance system than required for their job duties.

Attendance change period

Some district personnel can change attendance records up to the date of submission to the Department of Elementary and Secondary Education (DESE) and the changes are not routinely reviewed. The system limits the time period attendance record changes can be made based on user permission levels with periods ranging from within the school year to the date of submission to the DESE the following October. District procedures require recording of daily student attendance in the system by each teacher or by the building attendance administrator (AA)⁶ when a teacher is absent. Each day the AA ensures all attendance has been entered into the attendance system and, per district procedures, changes after that day should be made by the AA. The attendance system is capable of generating a detailed summary report of attendance changes, but district personnel indicated this is only run upon request and there is no periodic review of changes at the district level.

Attendance system access

The Superintendent and other upper level district personnel have more access in the attendance system than required for their job duties. They all have access to both view and change data in the system, but their responsibilities for attendance are limited to only a review role. For example, the Superintendent has access to make changes, but district personnel indicated

⁶ Building attendance administrators vary depending on the school and can include a school secretary or business information specialist, or other designated personnel.



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this is only to review certain reports and the Superintendent has not made changes.

Conclusion

The risk of erroneous changes or improper activity affecting attendance reports submitted to the DESE is increased with the extended time period allowed for changes and excessive user access. Correcting attendance data is necessary to ensure accuracy in the reporting process and any changes must be made before attendance can be certified to the DESE. However, review and approval of all changes is necessary to ensure reliability of the data. Additionally, without limiting user access, the district cannot ensure proper segregation of duties is in place over the functions of entering 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.

3.2 Attendance hours

The district claimed student attendance when students were not present because certain attendance codes were improperly programmed into the attendance system. As a result, the district received excess state funding.

The attendance system calculates attendance minutes based on the coding marked for each student each day. When reviewing attendance codes with the former Director of Student Services we identified the system counted time coded as "COL" for students participating in college campus visits, which resulted in the district overstating student attendance hours for the 3 high schools by approximately 1,617 hours for the 2021-2022 school year and 1,458 for the 2022-2023 school year. Because attendance hours are used, in part, to determine state funding, the overstated student attendance hours resulted in approximately \$11,500 in total excess state funding for the 3 schools over the two school years. District personnel indicated the attendance coding is reviewed annually. However this review did not detect the "COL" coding error.

Accurate attendance data is necessary to ensure the district complies with applicable state and federal guidelines and appropriately claims state funding. DESE attendance guidelines state, "Students must be in attendance in an instructional capacity under the direct supervision of a certificated employee of the district to be counted for attendance purposes." In addition, DESE guidance and district policy state that college visits are considered absences.

Recommendations

The Board of Education:

- 3.1 Implement additional controls and procedures over attendance data, including restricting the time period when changes can be made without authorization, reviewing available reports, and limiting user access rights to only what is necessary to perform job duties.



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Auditee's Response

3.2 Correct attendance records and coding for any attendance improperly reported, and periodically review attendance coding to ensure compliance with district and DESE attendance guidelines.

3.1 *Additional controls and procedures will be implemented. A stakeholder group of building and department leaders will be formed to identify the most efficient process for collecting attendance and managing the data district-wide, and provide all involved leaders and staff with updated instructions. The work will include assessing who has access, who is able to affect change, the period of time changes may be made, requiring the appropriate leaders to authorize any exceptions, and comprehensive reporting on absences. The data management will include a review of the change log relative to change authorization documented.*

Leaders will discuss and plan to limit access to edit attendance data by considering the following restrictions:

- *District administrators will be limited to view-only access to attendance*
- *Building administrators will be limited to view-only access to attendance*
- *Building staff including the Building Information Specialist and Attendance Clerk will edit changes in current year only*
- *District Information Specialists will edit authorized changes (clean up) thereafter*

3.2 *As identified in the audit, attendance codes within Infinite Campus were used in unintended ways. For example, the COL attendance code was intended to identify an academic field trip organized, coordinated, and supervised by certificated personnel. However, it was erroneously used to record students who were absent from school on college visits that were not supervised by certificated personnel. This issue was identified for the 2022-23 academic year, and corrections were made in core data. For subsequent years, the code was revised in the student information system to reflect an excused absence for the student, and no attendance was claimed in the report to the Department of Elementary and Secondary Education.*

The following measures will be taken to ensure that data governance is improved, including controls for creating and maintaining user accounts and implementing security controls to safeguard systems and data:

- *A stakeholder group will review codes annually*



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- *Attendance codes will be standardized across elementary and secondary schools*
- *All attendance personnel with edit access will receive annual training in these definitions*

4. District Financing

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 bonds were also sold in a private sale without advertisement. As of June 30, 2024, the district has outstanding bond debt totaling \$286.41 million from GO and GO refunding bond issuances from 2009 to 2022. The district's bond underwriter received fees for the bond issuances totaling approximately \$1.6 million.

For each sale, the Board did not obtain outside financial advisory services and instead only relied on the financial advice provided by the bond underwriter. In addition, the bonds were sold privately through a negotiated sale to the underwriter instead of through a competitive bid process. Furthermore, the Board did not select the bond underwriter using a competitive process, but instead used an underwriter the district had previously used. According to the bond underwriter, its firm had worked with the district for at least the past 20 years.

While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting bond underwriters, 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 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,⁷ 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.⁸ The GFOA also indicates the presence of the following factors may favor the use of a competitive sale: the rating of the

⁷ 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 September 29, 2024.

⁸ Government Finance Officers Association, *Selecting and Managing Municipal Advisors*, February 28, 2014, <<https://www.gfoa.org/materials/selecting-and-managing-municipal-advisors>>, accessed September 29, 2024.



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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.⁹ 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.¹⁰

The Municipal Securities Rulemaking Board (MSRB)¹¹ 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 any future bond sales and obtain independent financial advice for bond issues.

Auditee's Response

The Board and administration commit to ensuring that the appropriate sale methodology is applied for all future bond sales and understands that large bond issues may present justification for a negotiated sale of bonds. The focus will be achieving the lowest borrowing cost while meeting the needs of the District.

5. Accounting and Cash Handling Controls and Procedures

District oversight of accounting and cash handling procedures at school buildings needs improvement. Our review noted receipting and depositing procedures were inconsistent, receipts were not always secured, and district officials were not aware of some petty cash funds maintained at schools. District financial records show total student activity collections of over \$2.1 million for the 2022-2023 school year. These are comprised of various cash and check receipts including student activity fees, athletic fees, and event admissions. These funds are at greater risk because there is a variety of handling and record-keeping methods throughout the schools.

School administrative assistants/cashiers are generally responsible for the receipting, recording, depositing, and reconciling of money collected by teachers, organization sponsors, and school office personnel. Athletic event

⁹ Government Finance Officers Association, *Selecting and Managing the Method of Sale of Bonds*.

¹⁰ 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 September 29, 2024.

¹¹ 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.



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attendance and concession sales are generally handled by applicable school organizations and the money collected is later transmitted to the school office. Administrators at each school provide minimal oversight of these functions and records.

We judgmentally selected and reviewed procedures at one high school, one middle school, one elementary school, and one early childhood center. Student activity receipts at the 4 schools totaled approximately \$723,700 for the 2022-2023 school year.

5.1 Cash handling policies and procedures

The district does not provide sufficient guidance to schools on how to handle receipts, and cash handling procedures are inconsistent. Some school personnel maintained their own procedures while others indicated cash handling processes were communicated from previous employees. District officials also indicated the information is communicated in annual professional development sessions. However, we noted varied procedures and control weaknesses at the schools reviewed as discussed in sections 5.2 and 5.3.

District policy 3121 indicates that all money collected at district schools will be properly handled and safeguarded. The policy requires money collected be submitted to the school principal/designee who is responsible for safekeeping and requires the money to be secured. Beyond this, district policies do not outline how schools should handle receipting and depositing money, including how to document amounts received, reconcile collections, or prepare money for deposit.

The district's Business Operating Procedures and Federal Awards Administration Manual (Business Operations Manual) provides more detailed procedures and includes provisions for depositing daily, counting cash in front of another person, using a tally sheet, restrictively endorsing checks, and using petty cash. However, some district employees were not aware of this manual and, instead, created their own informal procedures. These procedures include a deposit guide, which was distributed by a finance department official, and receipting and depositing procedures developed by personnel at one high school.

Procedures that are clearly communicated to those handling receipts are necessary to ensure consistency and reduce the risk of loss, theft, and misuse of district money.

5.2 Segregation of duties

District officials have not adequately segregated duties, or performed documented supervisory or independent reviews of the accounting records. The school administrative assistants at the 4 schools we visited, receive and record money, prepare deposits, and secure the money until it is picked up by a courier and taken to the bank for deposit. There is no independent or



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supervisory review of the receipt records or deposits beyond comparing the copy of a deposit slip to bank records by the finance department. The Business Operations Manual calls for at least the counting of receipts in front of another employee, but none of the administrative assistants at the 4 schools indicated this was done.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, periodic supervisory or independent review of the records should be performed and documented.

5.3 Receipts and deposits

Inconsistent procedures and weaknesses exist in receipting, transmitting, depositing, and securing money received at some schools. The following concerns were noted:

Receipt slips and supporting documentation

School administrative assistants do not consistently issue receipt slips or record receipts on a receipt log at any of the 4 schools. In addition, supporting documentation is not always provided with the money transmitted to school administrative assistants. For example, the administrative assistant at one school indicated teachers will drop off an envelope containing receipts in her office without documenting which teacher they came from or other information to indicate the purpose of the receipts.

Depositing timely

The frequency of deposits varied between the schools reviewed. The administrative assistant at one school indicated she makes deposits when held funds are approximately \$1,000, the administrative assistant at another school indicated she deposits when held funds are over approximately \$200, and the administrative assistants at the two other schools indicated they deposit once a week or 1 to 2 times per month. The Business Operations Manual indicates deposits should be prepared daily.

Security of receipts

School personnel at one school did not secure receipts awaiting pickup from the courier. Administrative assistants at two different collection points at the school described placing the sealed bags with the receipts ready for deposit on accessible counters until the courier retrieved the deposits. District policy and the Business Operations Manual indicate receipts should not be left in an unsecured location.

Conclusion

Failure to implement adequate receipting, recording, securing, and depositing procedures increases the risk that loss, theft, or misuse of money will go undetected and accounting records will contain errors.

5.4 School building funds

District officials were not aware of all money maintained at school buildings. Finance department personnel did not know that any school maintained a petty cash fund, although district policy and the Business Operations Manual allow for such funds at the approval of the Chief Financial Officer.



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We inquired with officials at all of the district schools and noted 4 schools maintained petty cash funds ranging from approximately \$200 to \$500. Finance department personnel also did not know the amount of change, reserve, or other funds maintained at some schools. Two high schools responding to our inquiries noted change and/or reserve funds totaling approximately \$2,000 and \$3,800. Additionally, one school administrative assistant identified approximately \$1,100 in the school's vault after our inquiries. She was not aware of the origin of the money but believed it predated her start with the school in November 2021. The finance department also did not have a record of these funds.

District Policies 3120 and 3121 and the Business Operation Manual provide general information for cash handling and petty cash funds at the building level but do not address oversight of these or any funds by district officials. District-level oversight and tracking of money maintained at various schools is necessary to reduce the risk of loss, theft, or misuse of district funds.

Recommendations

The Board of Education:

- 5.1 Ensure district procedures are consistent, formally documented, and communicated to all employees responsible for cash handling.
- 5.2 Adequately segregate accounting duties or ensure documented supervisory or independent reviews of detailed accounting records are performed.
- 5.3 Ensure money is properly receipted, supported, transmitted, and deposited timely. Also, the Board should ensure money is properly secured.
- 5.4 Establish procedures to identify and track funds maintained at school buildings.

Auditee's Response

- 5.1 *Since the 2021-2022 school year, five separate individuals have served in finance leadership positions. The new leaders have improved a number of processes and a prioritized list of opportunities has been created, including the items noted.*

Regarding these specific findings, procedures have consistently been available to all administrative assistants (AAs) responsible for cash handling on the shared drive established for AAs. These procedures have been maintained on the shared drive for many years, and periodically updated. Given that many reported not knowing the consistent procedures, a routine communication will be provided to all AAs, and additional training will be provided to employees assuming these roles each year. A minimum of two trainings have



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been conducted each year. The most recent training occurred November 5, 2024, and AAs communicated they understand where information is located and their job responsibilities. A follow-up communication will be provided to all building principals. The instruction during the session included:

- *A review of where to find all cash handling controls policies and procedures on the Finance AA shared drive,*
- *A review of segregation of duties and ways to handle checking and verifying cash deposits,*
- *A review of issuing receipt slips, maintaining receipt logs, and ensuring each site has the supplies needed,*
- *A review of the cash collecting form provided to teachers at the beginning of the school year for awareness of how to collect cash and how to provide to the AA for proper recording,*
- *A review all procedures to ensure all AA staff are consistently using the provided instructions,*
- *A review of the timeliness of deposits, that deposits be prepared daily per the operating manual, and*
- *A review of secure locations for cash.*

5.2-5.4 A third-party consulting engagement is planned to review current practice at sites and recommend district-wide improvements and procedure updates. The review will occur in December 2024.

Accounting team members compiled a listing of all petty cash amounts in each of the buildings and identified that seven sites securely maintain petty cash. Audits were performed on half of the sites in September 2024, and no issues were noted. The remaining sites will be audited in the coming weeks, with all sites being audited at least annually. Additionally, leaders will discuss the value of separating the petty cash amounts as separate assets on the balance sheet for ease in identification.

6. Payroll and Personnel Procedures

Improvement over payroll controls and procedures is needed. The District's payroll expenses totaled approximately \$142 million for the year ended June 30, 2023.

6.1 Leave policy

District policies and regulations do not reflect the maximum vacation leave balances that chief, director, and manager level employees may carry over from year to year. Instead the 150 percent of yearly accruals allowed to carry over is only included in an informal document district personnel indicated they have passed down within the human resources department since at least 2013. There is no support to show that this was Board approved. District



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officials could not explain why the carryover was not included in the Board-approved policies and/or regulations.

District regulations 4330ES and 4330SU indicate most employees may carry over a maximum of 100 percent of their annual vacation leave accrual, but does not address upper level administrative accruals. Complete, consistent, and updated leave polices and regulations help ensure equitable treatment and prevent misunderstandings.

6.2 Commuting miles

The district does not properly report commuting mileage as a taxable fringe benefit for employees who commute with district-owned vehicles.

The district allows 7 maintenance department employees to take district vehicles home to be available to respond to emergencies or perform other district business. District policy 3191 indicates the allowance is for the "management efficiency of the District" but district personnel indicated the employees are not required to commute with the vehicles. The district reports the vehicle benefit to the IRS under the "commuting rule" special valuation method which only requires it to report a taxable benefit of \$3 per day. However, because the employees are not required to commute, the mileage does not meet the IRS requirements for this special valuation method. District policy specifies use of this method and district personnel indicated this has historically been their practice.

In addition, the district does not require mileage logs or any mileage information to ensure vehicle use is not personal. Personal use of more than a de minimus amount is prohibited by district policy and IRS guidelines. Instead, the employees only report the number of days they drove the vehicles home in the year upon request from payroll personnel. The number of days is multiplied by the \$3 per day to determine the employees taxable benefit. Our review of the December 2022 responses to payroll personnel requests noted one employee gave an approximate number while another only stated "same as last year."

IRS Publication 15-B provides for the reporting of personal commuting mileage as a taxable fringe benefit. The full value of the provided vehicle is to be reported as taxable unless the employer elects, and the mileage qualifies for, one of the special valuation methods. To qualify for use of the commuting rule, the employer must require the employees to commute in the provided vehicle. In addition, the "commuting rule" prohibits more than a de minimus personal use of the provided vehicle. Other valuation methods would also require detailed mileage logs be submitted to ensure the vehicle use qualified. Failure to properly report commuting and personal mileage may subject the district to penalties and/or fines. A vehicle log would help document that all personal and commuting mileage is properly reported.



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6.3 Incomplete records

Employment records for several employees were not complete. We reviewed the employment records, including personnel, payroll, and I-9 (Employment Eligibility Verification) form files, for 40 of the 3,493 employees to ensure documentation was included to substantiate proper hiring, position, and pay rate and to ensure all required forms were completed. For the 2022-2023 school year, we identified the following issues:

- The annual evaluations for 4 employees could not be located in their personnel files, and supporting documentation for 2 employee evaluations were not signed by a supervisor and/or administrator.
- The applications for 2 employees were not signed and dated by the employee.
- Documentation of mandatory training completion was missing from 1 employee's personnel file.

The district could not locate the missing documentation.

District policy 4860GE requires the district to maintain complete and current personnel files for all district employees. Complete employment records are necessary to support personnel actions, including hiring, pay rate assignment, and promotion.

6.4 User access and review

Some payroll employees had more access in the payroll and leave systems than required for their job duties and there is no review or secondary approval for new employee profiles created by human resources staff.

Our review of the payroll software noted 3 payroll employees had the ability to add new employees to the system and to change pay rates when their job duties were limited to processing payroll for existing employees at established pay rates. District personnel indicated they were unaware of the permissions and they were granted in error. Personnel corrected these issues after we brought them to their attention. In addition, our review of those with access to the absence management system identified 3 former employees whose access was not removed and 2 employees, the payroll lead and Superintendent, who could make changes to leave records when it is not required for their positions. Additionally, no one reviews or approves new employee profiles in the payroll system created by human resources staff.

Without periodically reviewing user access rights and the creation of new employee profiles within the payroll and leave systems, the district cannot ensure proper segregation of duties is in place over the functions of entering, approving, and reporting payroll and leave data. Good internal controls require users be allocated the minimum access rights necessary to perform their assigned job functions, access to security functions be explicitly



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assigned, and user access be periodically reviewed to ensure it is appropriate. Allowing users access to systems in excess of what is required for their job duties increases the risk of improper activity occurring, including creating fictitious employees or providing excess benefits.

Recommendations

The Board of Education:

- 6.1 Establish formal annual leave schedules for senior administration employees.
- 6.2 Comply with IRS guidelines for reporting fringe benefits related to personal and commuting mileage and require logs to provide supporting documentation for vehicle usage.
- 6.3 Ensure employment records are maintained and complete for all employees.
- 6.4 Limit user access in the payroll and leave systems to only what is necessary to perform job duties, ensure there is supervisory review and approval for all new employee profiles, and periodically review user access to ensure access is properly assigned.

Auditee's Response

- 6.1 *A formal annual leave schedule and process will be developed and communicated, including necessary updates to board policy.*
- 6.2 *Procedures and policy will be updated to reference compliance with the Internal Revenue Service Publication 15-B, Employer's Tax Guide to Fringe Benefits. That updated method for taxing staff members driving district vehicles will be implemented effective January 1, 2025.*
- 6.3 *Leaders will develop queries to identify any missing data for employee records, and staff will perform the queries routinely, and provide corrections. Checklists will be created and followed for employee records to ensure all documentation is obtained and secured within the Human Resources Information System. Routine audits of employee records will be conducted by the Director of Human Resources, Director of Finance, or designee, to ensure the process is followed.*

Beginning with the 2023-2024 fiscal year, all employees complete mandatory training using the Vector Solutions K-12 training system. This process provides clear expectations on mandatory training and tracks individual employee completion. The human resources leaders ensure all employees have completed the training in a timely manner.



6.4 *The administration will ensure user access in the payroll and leave systems is limited to only that which is necessary to perform job duties. A supervisory review will be implemented for approving all new employee profiles, and a supervisor will periodically review user access for proper assignment.*

7. District Property

The district did not provide sufficient guidance to building officials on how to track school property, and as a result, building level property records are inconsistent or nonexistent. Insurance documents list the replacement cost for all building contents at \$89 million at June 30, 2023.

Neither district policy nor the associated regulation prescribes how property records should be maintained, how and when inventories should be conducted, or if there is any district level review of building property records. District policy 5410 defines physical property for inventory purposes as property other than the building and built-in fixtures including desks, chairs, and computers and indicates building principals are responsible for the inventory of property at their buildings. The associated district regulation 5410 indicates the district will maintain effective control over and accountability for all funds, property, and other assets regardless of cost.

We surveyed officials at all 23 buildings regarding their property inventory procedures and noted the types of records and procedures varied significantly between buildings. Officials for 12 buildings indicated they did not have a building property list. Some officials responded that they created lists of desks or other property even if they did not have an official property record, while others indicated they did not have a formal process to create or review property lists. Of the 10 schools that officials indicated had property records, only 2 conducted an annual inventory for the 2022-2023 school year. We reviewed the property records for 9 of the 10 schools and noted the information tracked also varied between schools. Further, asset records and annual inventories are not reviewed by district officials each year to ensure accuracy and completeness or to account for additions and dispositions. District officials were not aware of the confusion and lack of consistency within the district.

Adequate asset records are necessary to ensure better control over district property. Specific guidance and periodic oversight is necessary to ensure records are consistent throughout the district and sufficient information is tracked to ensure compliance with district policy.

Recommendation

The Board of Education provide guidance to building officials to ensure property records are complete and consistent.

Auditee's Response

The District property insurance is provided through the Missouri United School Insurance Council (MUSIC), a non-profit, member-owned, self-



Francis Howell R-III School District
Management Advisory Report - State Auditor's Findings

insurance pooling program providing comprehensive property and casualty coverage for Missouri public schools and community colleges. MUSIC does not require inventory lists to be maintained; however, in the event of a total loss, all inventory would need to be identified and MUSIC would reimburse costs based on invoices submitted for replacement purchases. A stakeholder group will be formed to identify the most efficient process for tracking inventory district-wide, and provide building and department leaders with updated instructions for annually updating data. A technology inventory exists and is currently being updated by technology staff.

Francis Howell R-III School District

Organization and Statistical Information

The Francis Howell R-III School District is located in St. Charles County. The district currently has three early childhood centers, ten elementary schools, (grades K-5), five middle schools (grades 6-8), three high schools (grades 9-12), and two alternative schools (one grades 9-12 and one grades 2-12). Enrollment was approximately 16,284 for the 2022-2023 school year. The district employed 2,254 full-time employees and 1,239 part-time employees, at June 30, 2023.

The Francis Howell R-III School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

School Board

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 30, 2023, were

- Adam Bertrand, President
- Randy Cook, Vice-President
- Jane Puszkas, Treasurer
- Janet Stiglich, Member
- Chad Lange, Member
- Ron Harmon, Member
- Mark Ponder, Member

Superintendent

The district's superintendent as of July 1, 2023, was Dr. Kenneth Roumpos. His annual compensation is \$205,000, plus costs associated with health, dental, and vision insurance coverage, and life insurance not less than \$75,000 in death benefits. In addition, Dr. Roumpos receives \$600 per month car allowance to carry out his duties as superintendent. 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	\$ 152,095	110,585	115,481	62,716
2020	154,371	110,969	116,425	64,147
2021	146,649	111,894	115,879	65,285
2022	150,043	112,702	116,739	65,903
2023	148,860	113,772	117,927	67,159

Source: Missouri Comprehensive Data System, <<https://apps.dese.mo.gov/MCDS/Home.aspx>>, accessed September 11, 2024.

Financial Activity

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



Francis Howell R-III School District
Organization and Statistical Information

FRANCIS HOWELL R-III SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Local	\$ 77,216,084	\$ 77,932,079	\$ 22,368,909	\$ 5,857,018	\$ 183,374,090
County	1,343,619	1,279,152	472,738	54,188	3,149,697
State	12,097,110	51,808,758	-	-	63,905,868
Federal	12,751,548	5,285,350	-	17,864	18,054,762
Interest	1,821,906	840,844	417,891	3,125,714	6,206,355
Student activities	2,537,212	-	-	73,406	2,610,618
Other	463,492	247,127	-	-	710,619
Total Revenues	108,230,971	137,393,310	23,259,538	9,128,190	278,012,009
EXPENDITURES:					
Current:					
Instruction	17,050,802	101,950,735	-	472,513	119,474,050
Attendance	2,362,580	-	-	-	2,362,580
Guidance	166,146	5,735,397	-	-	5,901,543
Health, psych, speech and audio	5,992,399	5,423,709	-	26,559	11,442,667
Improvement of instruction	1,016,163	3,230,145	-	-	4,246,308
Professional development	64,043	312,320	-	-	376,363
Media services (library)	1,169,338	2,095,028	-	26,428	3,290,794
Board of Education services	1,194,296	-	-	-	1,194,296
Executive administration	1,347,059	1,583,764	-	3,648	2,934,471
Technology services	4,161,672	24,236	-	549,132	4,735,040
Building level administration	3,148,647	9,478,685	-	7,897	12,635,229
Business central service	2,000,229	6,770	-	3,573	2,010,572
Operation of plant	15,846,346	-	-	2,039,688	17,886,034
Security services	1,049,660	-	-	33,707	1,083,367
Pupil transportation	13,321,645	-	-	2,359,573	15,681,218
Food services	7,205,449	-	-	154,384	7,359,833
Central office support services	4,465,772	18,300	-	130,478	4,614,550
Community service	8,653,001	102,558	-	1,947	8,757,506
Capital outlay	-	-	-	81,636,517	81,636,517
Debt service:					
Principal	-	-	11,135,000	1,427,657	12,562,657
Interest and other charges	-	-	11,715,400	182,579	11,897,979
Total Expenditures	90,215,247	129,961,647	22,850,400	89,056,280	332,083,574
REVENUES OVER (UNDER) EXPENDITURES	18,015,724	7,431,663	409,138	(79,928,090)	(54,071,565)
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	(6,696,285)	-	-	6,696,285	-
Proceeds from sale of other property	2,660	-	-	1,832,247	1,834,907
Total Other Financing Sources (Uses)	(6,693,625)	-	-	8,528,532	1,834,907
NET CHANGE IN FUND BALANCES	11,322,099	7,431,663	409,138	(71,399,558)	(52,236,658)
FUND BALANCES, BEGINNING OF YEAR (RESTATED)	33,424,899	9,547,283	23,900,424	224,410,082	291,282,688
FUND BALANCES, END OF YEAR	\$ 44,746,998	\$ 16,978,946	\$ 24,309,562	\$ 153,010,524	\$ 239,046,030