



**REVIEW OF THE TEXTBOOK VENDOR CONTRACT
AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-81
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AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

www.auditor.state.mo.us

During the 2000-2001 school year, the Kansas City 33 School District (district) reported a significant number of textbooks and related supplemental materials that were not delivered to the district's schools in a timely manner. To address this issue and other issues surrounding textbook procurement and management, the district's superintendent requested the State Auditor to conduct an audit of the textbook procurement system. On February 6, 2001, the district's Board of Directors approved the State Auditor's proposal to perform this audit.

In November 1997, the district began working on budget cutbacks in anticipation of the end of state desegregation payments. These cutbacks were included in the budget for the year ended June 30, 1999, which was approved in June 1998 by the school Board of Directors and the district's Desegregation Monitoring Committee. One of these cutbacks was to close the district's textbook depository warehouse in December 1998 and lay off the seven employees who ran the depository and oversaw the distribution of textbooks to district schools. The district had \$1.5 million in textbooks in the warehouse and needed to make a decision on what to do with this inventory and how to distribute books to the schools. In July 1998, the district's Textbook Coordinator resigned and the responsibility of overseeing textbook procurement and distribution was given to the district's Library Services Coordinator in addition to her other duties. This individual indicated that she had no experience or training in textbook procurement and management, and was provided little, if any, formal guidance or job expectations regarding her new duties.

In May 1999, the district contracted with Follett Educational Services (FES), a used textbook vendor, to provide textbook procurement, warehousing, and inventory management. The district has paid this vendor a total of \$1.1 million for textbook purchases and related fees through March 2001. The provisions of the contract included transfer of the district's entire textbook inventory to FES's warehouse in Chicago, Illinois. Prior to contracting with FES, the district did not solicit proposals from other vendors, and the district did not fully evaluate the costs and benefits of other alternatives for textbook warehousing and management. In addition, the district did not adequately monitor the terms of the contract with FES, and FES overcharged the district approximately \$32,000 in fulfillment fees and \$141,000 in freight costs.

Budgeting and accounting concerns appear to have been the principal cause for the delay in ordering and receiving certain textbooks for the 2000-2001 school year. The majority of the district's textbooks were initially ordered on a timely basis; however, system errors and inadequacies caused a perceived shortage of budgeted funds which caused the cancellation of certain textbook orders. For example, the accounting system showed a textbook budget deficit of approximately \$990,000 at September 26, 2000, while the

(over)

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system should have showed a budget balance of approximately \$1.2 million. Although system errors were a major problem, it appears the lack of budget monitoring and oversight allowed the budget system errors to go undetected.

The perceived budget shortfall appears to have caused the postponement of textbook orders from FES totaling \$643,000. These orders were initially placed prior to July 1, 2000, but were postponed until October 2000, which appears to have contributed to the shortage of textbooks at some schools. Of the \$643,000 in postponed orders, approximately two-thirds of this amount (\$439,000) was for adopted textbooks, and approximately one-third (\$204,000) was for non-adopted textbooks and supplemental materials.

The lack of a district-wide inventory system apparently contributed to the untimely shipment of textbooks to some schools. In one instance, an elementary school was closed in May 2000, and its students were transferred to another school at the start of the next school year. The textbooks at the closed school were to be transferred to the other school; however, these books were picked up by FES and put in the district's inventory in Chicago, and these books were not shipped back to the school until December 2000. It appears an adequate district-wide textbook inventory system could have helped prevent this from happening.

As of November 2000, the duties of overseeing textbook procurement and management were reassigned and the district established a committee to develop new policies and procedures for textbook procurement and management. The district's textbook committee is considering implementing an individual school site-based textbook procurement and inventory system (as opposed to a central warehouse and inventory system). If implemented, this will place a significant amount of responsibility on the school textbook coordinators. Therefore, it is imperative that the district develop written policies and procedures, written job descriptions and duties, and provide adequate training for the school textbook coordinators.

REVIEW OF THE TEXTBOOK VENDOR CONTRACT AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
and
Superintendent
Kansas City 33 School District
Kansas City, Missouri 64106

The State Auditor was engaged to perform an audit of the Textbook Vendor Contract and Related Procedures of the Kansas City 33 School District, Jackson County, Missouri. The objectives of this audit were to:

1. Review the selection process and contract for the textbook vendor.
2. Review the district's controls and procedures for textbook ordering, purchasing, and receiving.
3. Review the district's controls and procedures for textbook inventories and review the transfer of the district's textbook inventory to the textbook vendor.
4. Review the district's controls and procedures for textbook payments.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed applicable school district personnel. We also reviewed board minutes, school district policies, and various school district financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the school district and was not subjected to the auditing procedures applied in the audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Textbook Vendor Contract and Related Procedures of the Kansas City 33 School District, Jackson County, Missouri.



Claire McCaskill
State Auditor

May 29, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
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EXECUTIVE SUMMARY

REVIEW OF THE TEXTBOOK VENDOR CONTRACT AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI
EXECUTIVE SUMMARY

During the 2000 - 2001 school year, the Kansas City 33 School District (district) reported a significant number of textbooks and related supplemental materials that were not delivered to the district's schools in a timely manner. To address this issue and other issues surrounding textbook procurement and management, the district's superintendent requested the State Auditor to conduct an audit of the textbook procurement system. On February 6, 2001, the district's Board of Directors approved the State Auditor's proposal to perform this audit.

Our audit noted a number of weaknesses in the district's textbook procurement system. The textbook procurement system was not adequately developed nor sufficiently managed, and textbook budget problems resulted in the late delivery of a significant number of textbooks and supplemental materials to district schools during the 2000 - 2001 school year.

Prior to December 1998, textbooks were procured and managed through a district-owned textbook depository. In response to budget cuts, the textbook depository was closed and staff experienced in textbook procurement and management were terminated. The district had not developed a viable replacement plan for textbook procurement and management prior to closing the textbook depository, including provisions for warehousing or distributing an estimated \$1.5 million of books in the textbook depository.

In May 1999, the district contracted with Follett Educational Services (FES), a used textbook vendor, to provide textbook procurement, warehousing, and inventory management. The district has paid this vendor a total of \$1.1 million for textbook purchases and related fees through March 2001. The provisions of the contract included transfer of the district's entire textbook inventory to FES's warehouse in Chicago, Illinois. Prior to contracting with FES, the district did not solicit proposals from other vendors, and the district did not fully evaluate the costs and benefits of other alternatives for textbook warehousing and management. In addition, the district did not adequately monitor the terms of the contract with FES, and it appears FES overcharged the district approximately \$32,000 in fulfillment fees and \$141,000 in freight costs.

The district did not have adequate textbook inventory controls and procedures. The district did not conduct an inventory of its textbooks transferred to the vendor's warehouse in Chicago. In addition, the district does not have adequate procedures to track textbooks assigned to each school facility. In May 2000, the district purchased a textbook inventory management system from the textbook vendor at a cost of \$413,467; however this system is not yet fully functional.

As of November 2000, the duties of overseeing textbook procurement and management were reassigned and the district established a committee to develop new policies and procedures for textbook procurement and management. The district is currently looking at developing a system which focuses on procurement and inventory accountability at each school site, and assigns specific duties to textbook coordinators at each school.

This audit makes numerous recommendations for improvements in the district's policies, procedures, and controls over textbook procurement and management. The positive results from implementing these recommendations will include more efficient budgeting and monitoring of textbook expenditures and better safeguarding of textbook assets.

MANAGEMENT ADVISORY REPORT

REVIEW OF THE TEXTBOOK VENDOR CONTRACT AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

1. Selection of Textbook Vendor

Prior to December 1998, the district operated a textbook depository warehouse, which was the district-wide operation for textbook procurement and management. Effective May 1999, the district entered into a contract with a used textbook vendor, Follett Educational Services (FES), to provide textbook warehousing, as well as procurement and management services. The district did not solicit bids or proposals prior to presenting the contract proposal to the school board, which is required by district policy, or involve a contracting officer or someone experienced in contract negotiations. In addition, the projected cost savings from this contract were not fully evaluated.

In November 1997, the district began working on budget cutbacks in anticipation of the end of state desegregation payments. These cutbacks were included in the budget for the year ended June 30, 1999, which was approved in June 1998 by the school Board of Directors and the district's Desegregation Monitoring Committee. One of these cutbacks was to close the district's textbook depository warehouse in December 1998 and lay off the seven employees who ran the depository and oversaw the distribution of textbooks to district schools. The district had \$1.5 million in textbooks in the warehouse and needed to make a decision on what to do with this inventory and how to distribute books to the schools. In July 1998, the district's Textbook Coordinator resigned and the responsibility of overseeing textbook procurement and distribution was given to the district's Library Services Coordinator in addition to her other duties. This individual indicated that she had no experience or training in textbook procurement and management, and was provided little, if any, formal guidance or job expectations regarding her new duties.

FES, a used textbook vendor with whom the district had done business, presented a proposal to district administrators for the management of the district's textbook inventory, which would result in the district's textbook inventory being shipped to FES's warehouse in Chicago, Illinois. FES would fill the district's textbook orders from the district's inventory, if possible, and charge the district a fee, which was a percentage of the value of the textbooks shipped to the district. FES would also supply used textbooks from its inventory if available, or assist the district in purchasing textbooks directly from publishers, when necessary. It appears that FES provided similar services to only one other school district in the country.

The district estimated that it would save \$452,000 annually on salary and related costs and \$300,000 annually on warehouse rental expense, and estimated it would spend \$216,000 annually in fees, by contracting with FES. This resulted in a projected net annual savings of \$536,000. However, the district has not calculated the actual additional

costs related to the FES contract. It appears the district may have saved as much as \$450,000 during the first year of the contract, in part because FES was able to fill the majority of the district's textbook orders (76 percent) from district inventory stock. Significantly higher contract fees resulted in savings of only approximately \$250,000 during the current year of the contract. In addition, district officials indicated that there are currently empty buildings which could be used for a textbook warehouse, so it appears the \$300,000 in annual warehouse rental is no longer a factor in computing the amount saved by the district. It does not appear that any savings which may have been recognized in the first year or two of the contract, will continue.

The district initially only negotiated a one-year contract, even though it should have been apparent that the district would not use all of its inventory stored in Chicago in one year. Upon the expiration of the initial contract, the contract was renewed for a two-year period and included a significant increase in the fees to be paid to FES. The district only paid FES approximately \$99,000 in fees and no freight costs during the initial year; but has already paid FES approximately \$432,000 in fees and freight costs in the second year (July 2000 to February 2001).

A new Textbook Coordinator was appointed in November 2000, and a committee has been formed to help develop new policies and procedures for textbook procurement and management. The district should fully evaluate the current costs and benefits of the FES contract and determine whether the contract should be continued or cancelled. The contract allows for cancellation by either party with a 90-day notice.

WE RECOMMEND the school Board of Directors ensure the district fully evaluates the costs and benefits associated with the FES contract and determine whether the contract should be cancelled. In addition, the district should ensure a plan is in place and the costs and benefits are fully analyzed prior to making a significant change in a major district function, such as textbook procurement and management. All contracts should be negotiated competitively as required by district policy, and should be handled by a contracting officer and reviewed by legal counsel.

AUDITEE'S RESPONSE

The District agrees with the recommendation. The District is in the process of collecting documentation to fully analyze the existing contract that expires in May 2002. The Board will be provided a report once the analysis is completed. The District will ensure all contracts are negotiated competitively in compliance with District policy and will obtain the proper review by legal counsel before executing.

2.

Contract Compliance and Monitoring

The district did not adequately monitor the terms of the contract with FES, and it appears FES has overcharged the district at least \$32,000 in fulfillment fees and as much as \$141,000 in freight costs. FES invoices did not distinguish the fees and freight costs

from the book price until, subsequent to the renewal of the contract in May 2000, the district requested this information be shown on the invoices. However, no one at the district reviewed the information to ensure the fees and freight costs were properly charged in accordance with the contract.

The contract requires FES to fill the district's textbook orders from district inventory stock if available, from FES stock if not available from district stock, and finally from orders made directly from publishers if not available from district or FES stock. The first year of the contract included a 6 percent fulfillment fee on all orders filled from the district's inventory and orders made directly from publishers. No fulfillment fee was to be charged on orders filled from FES's inventory stock and no freight costs were charged on any orders.

The current contract provides for the same fulfillment fee of 6 percent for orders filled from district stock, but increased the fulfillment fee to 7.9 percent on publisher provided orders. In addition, the current contract states the district will pay **actual** freight costs for all books shipped to the district. However, no fulfillment fees or freight costs were to be charged on orders filled from FES's stock.

A breakdown of book costs, fees, and freight costs obtained from the vendor was reviewed and the following concerns noted:

- A. It appears FES has overcharged the district approximately \$141,000 in freight costs. Rather than the actual freight costs, as provided by contract, FES has charged the district 9.5 percent of the textbook price as shipping charges. It appears that FES's actual freight costs are much less than the 9.5 percent of the textbook price. We have requested FES to provide information on its actual freight costs for orders shipped to the district but FES officials indicated this information is not readily available and could not be provided.

An analysis of freight costs based on textbook shipments to the district from other vendors, and information obtained from FES, shipping companies, and other textbook vendors indicated that actual freight costs should not have exceeded 4 percent of the cost of the textbooks. The district has paid FES \$244,196 in shipping costs representing 9.5 percent of the cost of textbooks shipped. Four percent of the cost of textbooks shipped is only \$102,819, or approximately \$141,000 less than shipping costs paid to FES.

The largest single overbilling noted was for an order for textbooks shipped from New York. The freight charges from New York to Chicago were only \$2,200 for materials costing \$403,778, or 0.5 percent of the textbook cost. For shipping \$370,629 of these materials from Chicago to Kansas City, FES charged the district \$35,210 or 9.5 percent of the cost of the materials. Based on the initial shipment of the textbooks, it appears that FES's actual freight charges to the district should have been less than \$2,200.

- B. FES has charged the district approximately \$32,000 in fulfillment fees on support and supplemental materials, such as materials provided free of charge by publishers. The contract indicates that no fulfillment fees shall be charged on support and supplemental materials.

Subsequent to our review, FES officials indicated agreement with our computations of the freight cost and fulfillment fee overcharges.

WE RECOMMEND the school Board of Directors ensure the terms of the textbook contract are closely monitored. District officials should work with FES to obtain refunds for the \$141,000 in freight costs and \$32,000 in fulfillment fees erroneously charged to the district.

AUDITEE'S RESPONSE

The District agrees with the recommendation, and will closely monitor the contract. The District has contacted FES regarding the over billing on the fulfillment fees and freight costs and is seeking a refund of any over billed fees and freight.

The District plans to have procedures for monitoring the FES contract terms for compliance and to also have the cost/benefit analysis concerning the contract terms completed prior to the contract renewal date.

3.

Budget and Accounting Concerns

Budgeting and accounting concerns appear to have been the principal cause for the delay in ordering and receiving certain textbooks for the 2000 - 2001 school year. It appears the majority of the district's textbooks were initially ordered on a timely basis; however, system errors and inadequacies caused a perceived shortage of budgeted funds which caused the cancellation of certain textbook orders. For example, the accounting system showed a textbook budget deficit of approximately \$990,000 at September 26, 2000, while the system should have showed a budget balance of approximately \$1.2 million. Although system errors were a major problem, it appears the lack of budget monitoring and oversight allowed the budget system errors to go undetected on a timely basis.

The district's annual budgets include what is called a global textbook budget, which is a centralized budget for the purchase of textbooks for all schools in the district. The global textbook budget for the year ended June 30, 2001, totaled \$2,796,193 and is broken down into an amount for replenishment of adopted materials (\$1,349,912) and an amount for newly adopted materials (\$1,446,281). The district's budget also includes amounts for each school to order non-adopted textbooks and materials, which are textbooks that have not been adopted on a district-wide basis but certain teachers have chosen to use in place of or in addition to the adopted textbooks.

Our review noted the following concerns:

- A. The district's accounting system provides for funds to be encumbered for pending purchase orders. Funds encumbered from prior years' budgets carry forward to the subsequent years' budget balances. District personnel indicated that the accounting system that was established in May 1999, does not automatically carry forward encumbered funds and manual adjustments are made. It appears manual adjustments of approximately \$2.2 million in textbook funds encumbered and re-appropriated from the prior year were not being recognized on the accounting system, creating the erroneously perceived budget shortfall as described above.

The perceived budget shortfall appears to have caused the postponement of textbook orders from FES totaling \$643,000. These orders were initially placed prior to July 1, 2000, but were postponed until October 2000, which appears to have contributed to the shortage of textbooks at some schools. Of the \$643,000 in postponed orders, approximately two-thirds of this amount (\$439,000) was for adopted textbooks, and approximately one-third (\$204,000) was for non-adopted textbooks and supplemental materials.

- B. From December 1999 to February 2001, approximately \$300,000 in non-adopted textbook purchases was charged to the global textbook budget. It appears these purchases should have been charged to the individual schools' non-adopted textbook budgets. Charging the purchases to the global textbook budget reduced the amount which appeared to be available for adopted replenishment books.

In addition, district policies on the use of non-adopted textbooks should be reviewed. There appears to be no requirement for teachers to obtain approval to use non-adopted textbooks nor to notify the district Textbook Coordinator of the planned use of non-adopted textbooks. As a result, the district may be purchasing more adopted textbooks than needed.

- C. It appears the district's accounts payable section has the ability to make payments on invoices in excess of the approved purchase order amount. The district prepares blanket purchase orders for recurring payments to various vendors, and these blanket purchase orders place an encumbrance on budgeted funds for the purchase order amount. Our review of a \$150,000 blanket purchase order to FES noted that \$194,349 of invoices were paid against this purchase order. Personnel from the accounts payable section indicated that payments above the purchase order amount can be made by overriding the system without obtaining authorization. Not only does this make it more difficult for the Textbook Coordinator to monitor the textbook budget, this procedure increases the possibility of unauthorized or fraudulent payments.

- D. The district does not have adequate procedures to ensure textbook shipments are received and invoices are paid on a timely basis. Schools receiving textbook shipments were not processing textbook shipping documents on a timely basis.

The shipping documents are matched to the textbook invoices and sent to the accounts payable section for payment. Because shipping documents were not being processed on a timely basis, the accounts payable section had not paid invoices of approximately \$551,000 to FES at January 31, 2001, with many of the invoices over 120 days old. These invoices have subsequently been processed and paid based on duplicate invoices requested from and provided by FES. However, the district has not reconciled these duplicate invoices to the shipping documents to ensure all textbooks paid for were actually received by the district.

Late payments were also noted for textbooks ordered directly from another vendor which resulted in the delay of shipping some books to schools. For example, 200 science textbooks ordered in May 2000 were not shipped by the publisher until September 2000 because the district had not paid for previous orders from this publisher.

The district needs to ensure policies and procedures are in place to track textbook orders from their inception (textbook requisitions) to receipt of books and payment of invoices. This is necessary to ensure all orders are placed, all textbooks are received, and payments are made on a timely basis.

WE RECOMMEND the school Board of Directors ensure there are adequate procedures in place to monitor the district's textbook budgets and to allow for the timely ordering of textbooks and the timely payment of related invoices. In addition, the district should discontinue allowing the accounts payable section to make payments above the approved purchase order amounts without obtaining prior authorization.

AUDITEE'S RESPONSE

The District agrees with the recommendation. The District will ensure adequate procedures are in place and followed concerning the monitoring of the District's textbook budgets and the timeliness of payments. Currently, the Accounts Payable section seeks prior authorization to make payments on invoices above the approved purchase amount. The procedure states if an invoice supported by a purchase order does not have available funds when processed for payment, Accounts Payable notifies the budget holder. If the budget holder chooses not to change the purchase order amount, they can give signature authorization to Accounts Payable to pay the invoice.

4. Inventory Controls

- A. Neither the district nor FES prepared an inventory of textbooks prior to the transfer to FES's warehouse in Chicago. FES prepared an inventory after all books were shipped to the warehouse. As a result, there is less assurance that all of the district's textbooks were inventoried. In addition, the district has not reconciled FES's current textbook inventory records to the initial inventory less items shipped from its inventory. This could not be done because FES's invoices

do not readily identify books shipped from the district's inventory. Although FES has provided records of the initial inventory, items shipped from the inventory, and current inventory, the district has not reconciled or reviewed these records to provide proper oversight and monitoring of its textbook inventory maintained by FES.

- B. The current district Textbook Coordinator indicated that many of the district's books and materials currently stored at FES's warehouse are old, outdated, and of little or no value to the district. A review of the inventory to determine which books and materials will no longer be used and should be disposed of has been started. FES is a used textbook vendor and has purchased many used textbooks from the district over the past few years. The district should determine which books should be disposed of, and consider selling these books to FES or otherwise disposing of these books. This could significantly reduce the amount of district books and materials warehoused in Chicago.
- C. The district has purchased an inventory system from FES called "Textlink" for a price of \$413,467, which uses barcodes to keep track of the textbooks assigned to students. This system is intended to reduce lost books and make the students accountable for the return of textbooks or face a fine for failure to return textbooks. This system, when fully functional, is expected to provide a district-wide inventory of all books and will allow the district to identify surplus textbooks at schools which could be transferred to schools which need these books. This would allow the district to more efficiently order textbook replenishments and reduce the possibility of purchasing excessive amounts of textbooks.

The contract provides for FES to barcode all district textbooks, to provide the necessary computer hardware and software, and to provide training for applicable district employees. FES agreed to provide barcodes for 67 district schools. FES has completed the barcodes for 47 schools and has partially completed 2 additional schools.

Of the purchase price of \$413,467, the district has only paid \$209,188 as of April 30, 2001. District officials indicated that an agreement was reached with FES on May 3, 2001, in which the district will pay the remainder of the purchase price and FES will complete the barcodes at all the district schools and assist the district in getting the Textlink system fully functional.

The lack of a district-wide inventory system apparently contributed to the untimely shipment of textbooks to some schools. In one instance, an elementary school was closed in May 2000, and its students were transferred to another school at the start of the next school year. The textbooks at the closed school were to be transferred to the other school; however, these books were picked up by FES and put in the district's inventory in Chicago, and these books were not

shipped back to the school until December 2000. It appears an adequate district-wide textbook inventory system could have helped prevent this from happening.

WE RECOMMEND the school Board of Directors:

- A. Ensure the district adopts procedures to reconcile FES's inventory records to shipments from the inventory to ensure the accuracy of the inventory records and to detect errors on a timely basis.
- B. Ensure a complete review of books and materials currently held at FES's warehouse is performed and items which will no longer be used by the district are disposed of.
- C. Ensure the district continues to work with FES to ensure the Textlink inventory system is completed in accordance with the contract and is fully functional.

AUDITEE'S RESPONSE

The District concurs with the recommendations and will implement the State Auditor's recommendations by the end of the current fiscal year.

5. Controls and Procedures at the Individual School Level
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Textbook orders are initiated at each school and the district has designated a textbook coordinator at each school. The district has not adopted or provided any formal textbook procurement policies and procedures to school principals and textbook coordinators.

Based on discussions with various school textbook coordinators and the inconsistent handling of textbook requisitions and receiving reports, it appears that some school textbook coordinators may not be fully aware of their job responsibilities and may not be performing some of their assigned duties. When an employee at each school was designated to serve as textbook coordinator, a written job description was not prepared and distributed. Some school textbook coordinators indicated that the job duties were limited to assigning books to students and operating the district's new textbook inventory management system (Textlink). However, the duties were intended to include verifying the accuracy of textbook requisitions and sending the requisitions to the district Textbook Coordinator, and verifying the accuracy of textbook shipping documents and providing those documents to the district Textbook Coordinator.

The schools are not processing textbook shipping documents and it appears most of these documents have not been provided to the district's accounts payable section. As noted in Management Advisory Report No. 3, the district was not paying its textbook vendors on a timely basis. The district's accounting and financial management system has the capability to record receipt of goods online which could help improve the timeliness of invoice payments. However, this portion of the accounting system is currently not

functional and therefore the shipping documents must be submitted to accounts payable, along with the invoices, for payment. To ensure timely payment of textbook invoices, it is imperative that the schools process the shipping documents so they can be sent to accounts payable on a timely basis.

The district's textbook committee is considering implementing an individual school site-based textbook procurement and inventory system (as opposed to a central warehouse and inventory system). If implemented, this will place a significant amount of responsibility on the school textbook coordinators. Therefore, it is imperative that the district develop written policies and procedures, written job descriptions and duties, and provide adequate training for the school textbook coordinators.

WE RECOMMEND the school Board of Directors establish uniform written policies and procedures at the school level for textbook procurement which clearly document the duties and responsibilities of the school textbook coordinators and other school individuals responsible for textbook procurement and inventory. These policies should include controls to ensure timely processing of textbook shipping documents.

AUDITEE'S RESPONSE

The District concurs with the recommendations and will implement the State Auditor's recommendations by the end of the current fiscal year.

This report is intended for the information of the school board and the district's management. However, this report is a matter of public record and its distribution is not limited.

HISTORY AND ORGANIZATION

REVIEW OF THE TEXTBOOK VENDOR CONTRACT AND RELATED PROCEDURES
 KANSAS CITY 33 SCHOOL DISTRICT
 JACKSON COUNTY, MISSOURI
 HISTORY AND ORGANIZATION

The Kansas City 33 School District is located in Jackson County and includes most of the city of Kansas City south of the Missouri River.

The district operates 6 senior high schools, 8 middle schools, 48 elementary schools, one vocational school, 6 alternative schools, and 4 early childhood schools. Enrollment was 29,742 for the 2000-2001 school year. The district employed 5,701 full- and part-time employees, including 169 administrative staff, 2,743 teachers and instructional support staff, and 2,789 support staff.

The Kansas City 33 School District is classified under the Missouri School Improvement Program as “Unaccredited” by the Missouri Department of Elementary and Secondary Education.

A nine-member board elected for four-year terms serves without compensation as the policy-making body for the district’s operations. Members of the board at April 30, 2001, and their current terms of office are:

<u>Name and Position</u>	<u>Current Term Expires</u>
Helen J. Ragsdale, President	April 2002
Patricia Kurtz, Vice President	April 2002
Lee Barnes Jr., Treasurer	April 2002
Michael M. Byrd (1)	April 2002
Michelle S. Hensley (2)	April 2004
Duane B. Kelly (2)	April 2002
Albert P. Mauro Sr. (2)	April 2004
Harriett Ann Plowman (2)	April 2004
Elma Warrick (3)	April 2004

Other Principal Officials

- Bernard Taylor, Superintendent (4)
- Vacant, Chief of Staff (5)
- Nancy Brake, Administrative Analyst (Textbook Coordinator) (6)

- (1) Appointed in September 2000 to replace Felicity Bliss Wiedeman.
- (2) Elected in April 2000, replacing Lance Loewenstein, Gina Gowin, John A. Rios, and Sandy Aguirre Mayer. Gina Gowin was appointed in January 2000 to replace Connie Clark.

- (3) Appointed in August 1999 to replace Terry M. Riley and elected to a full term in April 2000.
- (4) Appointed Superintendent to replace Benjamin Demps Jr., who resigned April 23, 2001. Mr. Demps served as Superintendent from July 1999 to April 2001. Phyllis A. Chase and Bonnie McKelvey both served as Acting Chief Administrators from October 1998 to July 1999.
- (5) Jack Goddard served as Chief of Staff from July 1999 until April 2001.
- (6) Grace Bridgford served as Textbook Coordinator from April 1998 until November 2000. Nancy Brake resigned effective June 30, 2001, and a permanent Textbook Coordinator has not yet been appointed.

The Desegregation Monitoring Committee (DMC) was established by the U. S. District Court for the Western District of Missouri, Western Division (the District Court). The District Court appointed a three-member panel whose purpose was to monitor and report to the District Court whether the school district is eliminating the vestiges of past discrimination to the extent practical and complying in good faith with the desegregation decree. The three members of the DMC were as follows:

Dr. John Murphy, Academic Achievement Monitor
Dr. Charles McClain, Budget Monitor
Dr. Eugene Eubanks, Desegregation Monitor

Effective July 27, 2000, the District Court issued a new order which eliminated the three positions described above and appointed Dr. Charles McClain as Implementation Monitor.

* * * * *