



Susan Montee, JD, CPA  
Missouri State Auditor

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# Pleasant Hope R-VI School District

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August 2009  
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Office of the  
Missouri State Auditor  
Susan Montee, JD, CPA

August 2009

The following findings were included in our audit report on the Pleasant Hope R-VI School District.

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The district spent more than it received during the 2006-2007 budget year, resulting in a decline of the district's ending fund balance in the Combined Operating Funds. As a result of the decline in the district's fund balance, the district approached the Department of Elementary and Secondary Education (DESE) "financially stressed" classification. The district's overspending was primarily caused by the construction of the sports complex.

While the district's financial condition improved during the 2007-2008 school year, the district obtained a \$250,000 loan, approved carrying some payroll payments into the next year to reflect a more positive fund balance, and did not transfer monies from the General Fund to the Special Revenue Fund each month as required by state law and DESE policy. In addition, tax rates were levied incorrectly during the 2007 tax year resulting in approximately \$107,000 being owed to the Capital Projects Fund from the district's General Fund. Also, the School Board amended its budgets after the actual disbursements had exceeded the original budgeted amounts, and budgets prepared by the district were not accurate and complete making it difficult for the district to effectively monitor its financial condition.

The district did not prepare comprehensive formal plans or adequate cost estimates and monitor the overall costs for the sports complex project which cost over \$400,000 to construct. The district did not retain adequate documentation of the various bids received or the selection process for awarding bids for many of the costs related to the sports complex project. The district also temporarily hired three employees of a local contractor to avoid paying prevailing wages.

It is questionable if one board member complied with the district's nepotism and conflict of interest policy. The board member was awarded a no-bid contract for a bus route prior to resigning from the School Board.

The district does not have formal written bidding policies and procedures, and bids were not always solicited or bid documentation was not retained for several items and professional services. The district sold bonds through a negotiated instead of competitive sale, and the board did not select the underwriter or bond counsel competitively.

Bids have not been solicited for transportation services in several years, and the district does not prepare IRS Forms 1099 Miscellaneous for payments made to the bus drivers. The district's 13 bus drivers were paid approximately \$352,000 during the 2007-2008 school year.

YELLOW SHEET

The district has not adopted formal policies and procedures for the use of its credit cards, and the board has failed to implement recommendations related to district credit cards made by its independent auditor during the past two audits. The school district has 16 credit cards, and purchases on the cards totaled approximately \$55,000 during the 2007-2008 school year.

The school district has not established policies and procedures regarding additional compensation. As a result, the district paid various employees additional compensation and did not include the payments on the employees' W-2 forms or subject the payments to payroll tax withholdings. In addition, extra duty contracts were not entered into and documentation was not prepared to support additional compensation paid.

Improvement is needed over payroll policies and procedures. Duties are not adequately segregated and timesheets and leave records were not adequately maintained. Some employees had negative leave balances at the end of the school year. District policy provides for employees to be paid for unused sick leave at the end of each school year as an incentive for not taking leave, but also compensates the employees again for unused sick leave at the time employment is terminated or at retirement. Some personnel handbooks did not agree to approved board policies.

The district has not established adequate policies for handling meal collections. In addition, controls over other district receipts, petty cash, change funds, and vending machine proceeds need improvement.

The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. Board meeting minutes did not always include sufficient detail of matters discussed, and minutes did not always appear accurate. District business was occasionally conducted outside of regular open meetings, minutes were not always prepared for study sessions, and minutes were not signed by the preparer.

Also included in the audit report are findings related to disbursements, fuel purchases, cellular phones, accounting procedures and district policies, school safety issues, and capital asset records and procedures.

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PLEASANT HOPE R-VI SCHOOL DISTRICT

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the Board of Education  
Pleasant Hope R-VI School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Pleasant Hope R-VI School District. The school district engaged Davis, Lynn, and Moots, PC., Certified Public Accountants (CPAs), to audit the school district's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the school district has adequate internal controls over significant management and financial functions.
3. Determine if the school district has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the school district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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 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. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given

the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the school district's management and was not subjected to the procedures applied in our audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Pleasant Hope R-VI School District.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
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MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

PLEASANT HOPE R-VI SCHOOL DISTRICT  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1. Financial Condition, District Budgets, and Financial Statements**

The district spent more than it received during the 2006-2007 budget year, resulting in a financial decline. In addition, the district did not adequately budget or monitor the disbursements for construction of the sports complex. Also, the district's deficit balance in the Teachers Fund at June 30, 2008, violates state law and Department of Elementary and Secondary Education (DESE) policy. Further, the School Board did not amend its 2007-2008 and 2006-2007 budgets until after the actual disbursements had exceeded the original budgeted amounts, and district budgets were not always accurate and complete.

A. The district spent more than it received during the 2006-2007 budget year, resulting in a decline of the district's ending fund balance in the Combined Operating Funds (General Fund and Special Revenue Fund) as shown below:

Combined Operating Funds*	Amount
Receipts	\$ 6,855,775
Disbursements	7,070,836
Receipts over (under) disbursements	(215,061)
Beginning balance	476,125
Ending balance	\$ 261,064
Ending balance as a percentage of disbursements	3.69%

\* This information was obtained from the district's independent auditor's report.

As a result of the decline in the district's fund balance, the district approached the DESE "financially stressed" classification. Section 161.520, RSMo, considers a district to be "financially stressed" if the year end balance of the Combined Operating Funds is less than 3 percent of disbursements or negative.

The district's overspending was primarily caused by the construction of the sports complex. The district did not adequately budget or monitor disbursements for the construction of the sports complex as noted in MAR finding number 2. The district disbursed \$407,444 during the period July 1, 2004 through December 31, 2008, for construction of the sports complex. Some of these disbursements were paid out of the General (Incidental) Fund budget categories of operations/maintenance and athletics.

While the district's financial condition improved during the 2007-2008 school year, as shown below, the district obtained a \$250,000 loan, did not transfer monies from the General Fund to the Special Revenue Fund each month as required and approved carrying some payroll payments into the next year to

reflect a more positive fund balance. In addition, the district's General Fund owes the Capital Projects Fund approximately \$107,000.

<u>Combined Operating Funds*</u>	<u>Amount</u>
Receipts	\$ 7,559,584
Disbursements	<u>7,338,551</u>
Receipts over (under) disbursements	<u>221,033</u>
Beginning balance	<u>261,064</u>
Ending balance	\$ <u><u>482,097</u></u>
Ending balance as a percentage of disbursements	6.57%

\* This information was obtained from the district's independent auditor's report.

- Three board members of the district signed a \$250,000 loan agreement for one year with the district's depository bank on March 12, 2007, to finance the purchase of bleachers for the sports complex. The Board's approval for this loan was not documented in board minutes as noted in MAR finding number 14. In addition, the district did not pay the semi-annual interest payment of \$9,286 due in September 2007 until April 2008 because the district did not have the funds. The district made a principal payment of \$35,715 and renewed the loan for \$214,285 on March 15, 2008, for another year with an interest rate of 7.25 percent.
- The district's deficit balance of \$2,060,309 in the Special Revenue Fund at June 30, 2008, violates state law and DESE policy. The district did not transfer monies from the General Fund to the Special Revenue Fund each month during the 2007-2008 school year, resulting in the deficit balance. The district waited until March 3, 2009, to transfer these monies (when the district's independent auditor's advised them of the amount of the adjustment). Section 165.021(4), RSMo, states "No check shall be drawn, or order for payment issued, for the payment of any school district indebtedness unless there is sufficient money in the treasury and in the proper fund for the payment of the indebtedness." In addition, DESE policy indicates the Teachers Fund is to be zeroed out each month.

The financial information included in the table above includes the loan and an adjustment for this transfer.

- The Board approved carrying some payroll payments into the next year to reflect a more positive fund balance. The district did not issue the interim Superintendent's April, May, and June 2008 combined payroll check totaling \$14,519 and a retiring employee's final paycheck for unused leave totaling \$7,075 until July 2008, to aid the district with its financial condition. Both the interim Superintendent and the retiring employee indicated they agreed to this arrangement due to the district's poor financial condition. While these amounts are not significant, the district has misrepresented its financial

position on the Annual Secretary to the Board Report (ASBR) filed with DESE and to the public. Further, the interim Superintendent indicated he held his payroll check and did not cash it until November 2008, because he was concerned about the financial condition of the district. Also, the district held three payroll checks issued to a former employee in June and July 2007 totaling \$4,745, until we questioned the outstanding checks in October 2008. Holding these checks aided the district's cash flow.

- The district's General Fund owes the Capital Project Fund approximately \$107,000 as noted in MAR finding number 15.

The combined ending fund balance as a percentage of disbursements for the 2007-2008 school year would have been \$353,503 and 4.73 percent had the payroll payments been made in the proper year and the Capital Projects Fund been repaid.

For the 2008-2009 school year, the district's budget for the General and Special Revenue Funds reported projected total receipts and disbursements of \$6,947,302, and \$6,816,992, respectively.

It appears the district is facing serious financial problems and action is needed to increase receipts or reduce disbursements. The Board should closely monitor budgeted disbursements. In addition, the school district does not have a long-term financial plan. Although the budget process provides annual financial planning, the School Board needs long-term planning to ensure the school district has adequate funding to continue operations.

- B. The School Board informally amended its 2007-2008 and 2006-2007 budgets on June 30, 2008 and July 10, 2007, respectively, after the actual disbursements had exceeded the original budgeted amounts. The following table illustrates budget amendments made by the Board:

Fund and School Year	Original Budgeted Disbursements	Actual Disbursements and Amended Budgeted Disbursements	Amount Overspent Prior to Budget Amendment
Special Revenue 2007-2008	\$ 4,453,867	4,508,995	(55,128)
Special Revenue 2006-2007	4,156,043	4,383,511	(227,468)
Capital Projects 2006-2007	289,963	375,554	(85,591)
Debt Service 2006-2007	204,845	1,522,739	(1,317,894)

In addition, the minutes for the June 30, 2008, and July 10, 2007, board meetings indicated the Board approved amending the budgets to actual disbursements; however, the district did not formally prepare amended budgets.

Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo, provides no disbursement of public monies shall be made unless authorized in the budget.

In light of the district's financial position, it is imperative for the district to prepare accurate budget estimates on a timely basis and for the board to closely monitor actual receipts and disbursements. The Board should refrain from approving disbursements in excess of budgeted amounts, and if necessary, adopt budget amendments in accordance with state law.

- C. The original budgets approved by the school district were not complete. The budget for the 2006-2007 school year did not include actual disbursements for the prior 2 years. In addition, the district's 2008-2009, 2007-2008, and 2006-2007 budgets did not include the district's indebtedness and budget messages.

Further, the budget for the 2008-2009 school year was prepared on the district's annual financial report for 2007-2008, and budgeted projections for receipts and disbursements were hand written by the interim Superintendent on the financial report. Projected beginning and ending fund balances were not included and the budget did not include actual receipts, disbursements, and fund balances for the 2006-2007 year. Also, the budgeted amounts did not agree to the district's general ledger, and the district failed to budget for any disbursements related to the Title I program.

For the school board to have a full understanding of all school district disbursements and properly monitor school funds, the budget should be accurate and complete. In addition, Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. A complete budget should include separate receipt and disbursement estimations by fund, the beginning available resources and a reasonable estimate of the ending available resources, and a budget message.

**WE RECOMMEND** the School Board:

- A. Continue to monitor the district's financial position and take all necessary steps to improve the financial condition of the district. In addition, financial statements should be prepared to accurately report the district's financial condition, and the district should discontinue holding checks and disburse monies in a timely

manner. Further, the School Board should ensure funds are transferred to the Special Revenue Fund each month as required.

- B. Ensure budget amendments are made prior to incurring actual disbursements.
- C. Ensure the budget is accurate and complete and prepared in compliance with state law.

**AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *During the 2008-2009 school year the district put in place a financial accountability system which includes proper oversight in department budgets, and purchase order procedure, and additional oversight by the superintendent, the board treasurer, and board members. The district will no longer hold monies over into the next fiscal year and the fund balance for 2008-2009 school year will be accurate. The district is also in compliance with the DESE policy to zero out the teacher's fund monthly.*
- B. *From the beginning of the 2008-2009 school year, the budget has been closely monitored and disbursements approved only within the allotted amount allowed. An accountability system has been in place to assure the district spends its money appropriately and does not overspend in any one fund.*
- C. *The current superintendent and the school board understand the past three school years' budgets were not properly or fully prepared by the former superintendents. The current superintendent and board will ensure the 2009-2010 budget will be complete and in compliance with Section 67.010, RSMo, and available to the State Auditor's Office, DESE, and the public to ensure accountability.*

**2.**

**Sports Complex**

The district did not prepare comprehensive formal plans or adequate cost estimates for the sports complex project. In addition, the district did not retain adequate documentation of the various bids received and the selection process for the sports complex project. Also, the district temporarily hired three employees of a local contractor to avoid paying prevailing wages.

The district formed an advisory committee, consisting of three district employees and eight citizens of the community, in June 2005 to develop plans for the construction of the sports complex and advertised for various bids in September 2005. Construction of the sports complex started in the fall of 2005 and was completed in August 2007. The district spent over \$400,000 to construct the sports complex using district operating funds, endowment funds, donations, and a loan.

- A. The district did not prepare comprehensive formal plans, budgets, or adequate cost estimates for the sports complex project and did not monitor the overall costs of the project.

The former Superintendent prepared cost estimates for some of the work to be performed on the sports complex for the School Board to review; however, most estimates were significantly less than the actual costs, and estimates were not prepared and documented for some costs of construction as noted in the table below:

Type of Work	Estimate	Actual Cost	Actual (Over) Under Estimates
Excavation and dirt/rock fill	\$ 10,055	46,696	(36,641)
Irrigation/seeding/straw	6,100	19,965	(13,865)
Electrical	28,500	26,743	1,757
Bleachers	30,000	221,505	(191,505)
Interest on loan	N/A	23,697	(23,697)
Scoreboard	N/A	22,308	(22,308)
Stadium lights	N/A	12,824	(12,824)
Miscellaneous	N/A	9,470	(9,470)
Concrete	N/A	9,247	(9,247)
Sound system	N/A	4,142	(4,142)
Fuel	N/A	2,361	(2,361)
Press box	N/A	3,323	(3,323)
Employee wages	N/A	3,138	(3,138)
Architect	N/A	1,225	(1,225)
Survey	N/A	800	(800)
Total	\$ 74,655	407,444	(332,789)

N/A-no cost estimates were prepared by the former Superintendent.

The former Superintendent estimated donations of \$100,000 would be received for the sports complex; however, the district received only \$9,500 in cash donations. Materials and services were also donated from local businesses; however, the value was not tracked by the district. The district also used \$22,308 of \$50,000 in sponsorship fees received from a soda vendor to purchase a scoreboard as noted in MAR finding number 4.

Documentation supporting the former Superintendent's cost and donation estimates was not retained, and board minutes did not adequately document the district's plans for construction, bidding, and financing of the project as noted in B below.

The sports complex project was completed in August 2007; however, the district plans to make additional improvements to the project in the future and will incur additional interest costs related to the loan.

The problems noted above and in B below indicate a lack of planning for this project and overall inadequate documentation to support actions taken and reasons for making certain decisions. Good business practices require adequate planning and public input prior to approving significant capital improvement projects. The various plans should have included building needs and designs, total estimated costs, and proposed financing arrangements. Adequate planning for major capital disbursements is necessary to ensure the project is financially feasible and supported by the taxpayers, and to help prevent potential problems or misunderstandings during the project. A project of such magnitude should have been given the utmost care, attention, and scrutiny of the board. Further, the lack of planning and monitoring of the sports complex project costs has contributed to the district's deteriorating financial condition as noted in MAR finding number 1.

B. While the district advertised for bids and donations for various items relating to the construction of the sports complex in September 2005, the district did not retain adequate documentation of the various bids received or the selection process for awarding bids as follows:

- Board minutes for the October 13, 2005, meeting indicate bids were received and all bids were rejected for excavation and dirt/rock fill. Documentation of the rejected bids was not retained by the district. The district did not re-bid the work and subsequently paid ten local vendors a total of \$46,696 to provide these services.
- The district received five bids for electrical work; however, the low bid was not selected. The district paid two other vendors (who bid on the project) a total of \$26,743. The district did not document its justification for selection of these vendors.
- Board minutes for the October 13, 2005, meeting indicate bids were received for an irrigation system. Documentation of the bids was not retained by the district, and as a result, it is unclear whether the bid selected was the lowest and best. The district paid \$7,547 for the irrigation system.
- Board minutes for the October 13, 2005, meeting indicate bids were received for seeding the football field, and the Board authorized the Superintendent to negotiate the bid amount with a particular vendor. Documentation of the bids received was not retained. The district paid an employee of the vendor \$3,600 to seed the football field.
- Board minutes for the November 10, 2005, meeting indicate the district negotiated with two vendors for scoreboards for the sports complex; however, the low bid was not selected. The district did not document its justification for selection of the vendor in meeting minutes. The district paid \$22,308 for the scoreboards (the original bid of the high bidder).

- Board minutes for the January 1, 2007, meeting indicate bids were presented to the Board for bleachers. The district did not retain documentation of any bids received other than the one selected, and as a result, it is unclear whether this bid was the lowest and best. The vendor was paid \$221,505.
- There was no documentation that bids for construction of the sports complex were solicited except for stadium lighting costing \$12,824 (the district selected the low bid).

Section 177.086, RSMo, requires school districts to advertise bids for construction of facilities which may exceed a disbursement of \$15,000. In addition, bidding procedures for construction projects provide a framework for economical management of school district resources and help assure the district it receives fair value by contracting with the lowest and best bidder. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the district's business. Complete documentation should be maintained of all bids and proposals received and the reasons why a bid or proposal was selected.

- C. The district entered into a verbal agreement with a local construction company to "loan" the district three of its employees in June 2006. The district hired these employees temporarily while the sports complex was constructed. District officials indicated this agreement was made to avoid paying prevailing wages. Two of these employees were paid \$12 per hour and the other employee was paid \$18 per hour which did not meet prevailing wage requirements as outlined by the state Division of Labor (DOL) Standards. The hourly rates for the related occupational titles outlined in the state DOL prevailing wage standards for the Polk County area were \$21 per hour. These employees were paid \$3,138 in total for this project.

Section 290.230, RSMo, requires prevailing wage to be paid to all workers employed by or on behalf of any public body, who perform construction work projects other than routine maintenance.

**WE RECOMMEND** the School Board:

- A. Ensure adequate planning is performed and documented and public input is obtained prior to undertaking future capital projects. All actions taken and decisions made should be fully documented during all phases of future projects.
- B. Solicit bids for all construction work in accordance with district policy and state law. Require all bid documentation be retained including the justification of the selection of the award.
- C. Ensure prevailing wage is paid for all construction projects.

## **AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *The board understands the importance of planning and documenting for all construction projects. If this was done by the former superintendents, proof has been difficult to obtain. The current superintendent and board realizes the importance of community input on all projects and will do so more diligently in the future. Also, all planning, cost estimates, bidding, etc. will be properly documented in the future and kept in a secure location at the central office to ensure documentation remains on file even if personnel changes. The board would also like to state they entrusted the former superintendent to be the project manager for the sports complex and followed his recommendations and trusted the advice given to them was accurate. The board now believes not all facts were presented to them at key times during the project and the project was poorly managed. When these concerns came to their full attention, they started the process to dismiss the former superintendent.*
  
- B. *The current superintendent and board understand the importance of soliciting bids and the justification of the selected bid. Proper documentation has not been kept and the district in the future will keep all documentation in a secure location at the central office to ensure documentation remains on file even if personnel changes. Board minutes will reflect the bid process, bid solicited, and the justification for the award of any said bid in the future.*
  
- C. *The district will comply with Section 290.230, RSMo, on all future construction projects.*

<b>3. Related Party Transactions</b>
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Improvement is needed in the district's handling of related party transactions.

- A. It is questionable if one board member complied with the district's nepotism and conflict of interest policy. Board policy provides for board members to make a good faith effort to avoid a conflict of interest, and if a situation arises which involves the potential for a conflict of interest, the board member will declare his interest and refrain from debating or voting upon the transaction in question.

We noted a situation where a former Board Member became aware of a district bus route vacancy while serving on the Board. The August 9, 2006, board minutes indicate the Board approved transferring the bus route to the Board Member without soliciting bids. The Board Member then agreed to resign from the board the next month. The Board accepted his resignation on September 12, 2006; however, the Board Member signed the bus transportation contract on August 10, 2006, while still serving on the Board. The Board Member was paid \$20,833 for bus services during the 2006-2007 school year. It is unclear whether

the Board Member abstained from approving the transfer of the bus route because a roll call vote was not documented.

Officers and agents of a school district serve in a fiduciary capacity. Personal interests in business matters of the school district create the appearance of conflicts of interest and a lack of independence that could harm public confidence in the board and reduce its effectiveness. The district should strictly enforce its policy on conflicts of interest.

- B. Rental charges for use of district property is mentioned in the district's building use policy; however, the policy does not indicate how much is to be charged. The district allowed a not-for-profit (NFP) baseball academy to use school grounds without charge for a 6 week training camp. Three of the six NFP board members include the former Athletic Director, who served as president of the NFP, the current district Board President, and a high school teacher. The district Board President and the high school teacher indicated they received no compensation from the NFP. Participants in the 6 week training camp were charged \$98 each. To ensure the equitable treatment of district property users, the district should ensure its building use policy is adequately detailed.

**WE RECOMMEND** the School Board:

- A. Strictly enforce the district's nepotism and conflict of interest policy. The district should review all transactions that are not in accordance with district policy and take appropriate action.
- B. Ensure the district's building use policy is adequately detailed.

**AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *As of January 01, 2009, the school board adopted the Missouri School Board's Association policy and procedures which is more clean and detailed than the previous policy concerning conflict of interest and nepotism. This new policy will be strictly enforced.*
- B. *The district's building use policy will be amended and adequately detailed.*

**4.**

**Bidding Procedures and Bond Refinancing**

The district does not have formal written bidding policies and procedures, and bids were not always solicited or bid documentation was not retained for several items and professional services. In addition, the district did not enter into a written agreement for

attorney services. The district sold bonds through a negotiated instead of competitive sale, and the board did not select the bond underwriter or bond counsel competitively.

- A. The district does not have formal written bidding policies and procedures for non-capital disbursements. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Although the school district did solicit bids for many purchases, the following purchases made during the 2 years ended June 30, 2008, were not bid or adequate bid documentation was not retained:

<u>Item or Service</u>	<u>Cost</u>
Food for school meals	\$ 118,584
Copiers	33,417
Refinishing and painting gym floor	26,065
Sporting equipment	22,893
Computer desks	18,383
Computers	17,113
School supplies	15,652
Two vehicles	11,923
Paper supplies	11,420
Office supplies	9,788
Fuel	7,130

While district employees indicated in some instances bids were solicited through telephone quotes or other direct contacts with vendors, documentation showing vendors contacted, prices quoted, and reasons for selecting the vendor was not retained.

Also, while the district solicited bids for the elementary building project costing approximately \$1.2 million, it did not retain documentation of the bids received. The district's architect provided the bid documents for our review.

In addition, although bank services were bid, the district did not document its reason for selecting the bank awarded the district's business.

Further, the district did not solicit bids before entering into a 6-year contract with a local vendor in December 2005 to provide and service soda vending machines. The terms of the contract were renegotiated from an existing contract, and required the vendor to pay the district \$50,000 in sponsorship fees to be used toward the cost of scoreboards and monthly commissions based on the volume of sales. The district is paid approximately \$3,800 annually in commissions. In addition to the sponsorship fees, the district is provided with annual donated items such as tickets to the Springfield Cardinals games, giveaway items for project graduation, classroom calendars, sports schedules and posters, cups, sport packages for athletic teams (i.e. water bottles, cooler, and cups), and concession menu boards and letters. The contract provides the vending company with the

exclusive rights to distribute its products on the district campus which requires the district and all school booster clubs to distribute this vendor's product. Because this contract was not bid, district officials have no assurance the current agreement offers the most benefits to the district.

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help assure the district receives fair value by contracting with the lowest and best bidder. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in district business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based upon the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the bid. Furthermore, district officials should reconsider long-term agreements that obligate the district to a single vendor.

B. The district has not solicited proposals for various professional services.

- 1) The district used the services of the same architectural firm for several years without any documentation of the consideration of other firms. Payments to this firm totaled \$31,199 for the 2007-2008 school year. This firm also worked on several capital improvement projects for the district in previous years, including construction of the elementary school and the sports complex. District personnel indicated they use this firm because of past performance and a good working relationship.

District policy states when hiring an architect the school can rely on past performance to promote continuity, efficiency, and quality but does not require the consideration of more than one architect. Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating such services. These sections, in part, require the district to obtain annual statements of qualifications and performance data from interested firms and consider at least three highly qualified firms. The district should revise its policy to require the consideration of more than one architectural firm when selecting a firm.

- 2) The district has contracted for audit services with the current independent auditor for approximately 5 years without conducting a selection process. The district paid \$8,400 for audit services during the 2007-2008 school year.

In addition, the district has not periodically solicited proposals for legal services, and does not have a contract with its attorneys outlining the types of services to be provided and at what cost. The district paid attorney fees of \$16,901 during the 2007-2008 school year.

Selection processes are necessary to ensure the district is receiving the best services and rates. The process should include advertising and soliciting proposals and evaluating these proposals for technical experience, capacity and capability of performing the work, past record of performance, and the firm's proximity to and familiarity with the school district. Information concerning the selection process should be documented and retained. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

- C. The school district refinanced \$1,275,000 in general obligation refunding bonds in August 2006. The district sold these bonds through a negotiated instead of competitive sale. In addition, the School Board did not select the bond underwriter or bond counsel competitively. The Board used an underwriter they were familiar with and relied upon the advice of the bond underwriter instead of seeking open bids assuring the most competitive rate of return for the taxpayers.

Historically, negotiated bond sales result in increased interest costs. While Missouri law does not require competitive bond sales or competition in selecting bond advisors, the historically lower interest costs on competitive sales suggest such sales to be in the best interest of the school district.

**WE RECOMMEND** the School Board:

- A. Establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids. In addition, the School Board should solicit bids for district vending services and reevaluate the practice of entering into long-term contracts.
- B. Consider revising district policy to require the solicitation of proposals for architectural services from more than one firm. In addition, the School Board should periodically solicit proposals for audit and legal services and enter into written contracts detailing the duties to be performed and the costs associated with the services.
- C. Pursue fair and open competition in any future bond sales.

**AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *On January 01, 2009, the district completely revised its policy and procedures by adopting the Missouri School Board's Association's policies and procedures. The bidding policies are more detailed than in the previous policy, but the superintendent and board recognizes additional details should be considered. Policy review will take place and revisions will be added. Vending services and long-term contracts will also be reviewed.*
- B.1. *The board will solicit bids from numerous firms for future architectural services.*
- 2. *The district will comply with the State Auditor's recommendation to periodically solicit proposals for audit services. The district will annually solicit proposals for legal services and have a detailed written contract.*
- C. *All future bonds sales will be open to any bidder and bids will be solicited.*

<b>5. Transportation and Fuel Costs and Procedures</b>
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Bids have not been solicited for transportation services in several years. Payments made to the 13 bus drivers for transportation services were not reported to the Internal Revenue Service (IRS), and written agreements with the bus drivers were not adequately detailed. In addition, adequate documentation of fuel purchases is not obtained, and fuel and mileage logs are not maintained for district vehicles.

A. The school district contracted with 13 bus drivers to provide bus transportation at a cost of approximately \$352,000 during the 2007-2008 school year. We noted the following areas of concern:

- 1) Bids have not been solicited for transportation services in several years. District officials indicated bids are only advertised when there is a bus route vacancy. The district has renewed bus contracts for several years without soliciting bids.

In addition, 3 of the 13 bus drivers own a second bus and provide additional transportation for other district activities such as sporting events and field trips. The school district did not solicit bids or enter into written contracts for these additional services. These three bus drivers received approximately \$56,000 (included in the \$352,000 above) for the additional transportation services.

- 2) The district does not prepare IRS Forms 1099 Miscellaneous for payments made to the 13 bus drivers.

- 3) The Board President indicated fuel is to be provided by the contracted bus drivers; however, the written agreement with each bus driver does not address this requirement. In addition, the district provided each of the 13

bus drivers a fuel allowance when the cost per gallon of fuel exceeded \$3, which was not addressed in the written agreements. Fuel allowances provided to the 13 bus drivers during the 2007-2008 school year totaled \$3,638.

- 4) Written agreements with each of the 13 bus drivers were not signed by the board secretary, and the board president's signature stamp was applied by the superintendent's secretary.

Competitive bidding provides a framework for economical management of the school district's resources, and ensures the district has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in district business. In addition, Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099. Also, written contracts should address all rights and responsibilities, such as who is responsible for providing fuel. Written contracts should be signed by the board secretary and president.

- B. Controls over fuel purchases need improvement. The district utilizes a local vendor for fuel for its two vehicles and lawn mowers. The district purchased approximately \$7,000 in fuel during the 2007-2008 school year.

- 1) An adequate review of fuel charged to the district's account is not performed. A monthly hand written summary bill, prepared by the vendor indicating the date and dollar amount of fuel purchased, is received to support fuel purchases; however, the employees purchasing the fuel do not review and approve the vendor's summary invoice before it is paid.
- 2) Fuel and mileage logs are not maintained for the district's two vehicles.

An adequate review of fuel purchases should be performed to ensure the obligation was actually incurred and the disbursements represent appropriate uses of public funds. Fuel and mileage logs documenting the date, destination, purpose of the trip, and mileage should be maintained for all vehicles. These logs should be periodically and independently reviewed to ensure vehicles are properly used for business purposes. In addition, information on the logs should be reconciled to fuel purchases.

**WE RECOMMEND** the School Board:

- A. Ensure bids are solicited for all transportation services, payments made to the bus drivers are properly reported to the IRS, and written agreements address all rights and responsibilities, such as who is responsible for providing fuel. In addition, contracts should be signed by the board secretary and president.

- B. Ensure an adequate review of the fuel bill is performed. In addition, the Board should ensure logs are maintained for district vehicles which include the purpose and destination of each trip, and daily beginning and ending odometer readings. The logs should be periodically compared to fuel purchases and reviewed to ensure the vehicles are used only for district business.

**AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *The current superintendent and board understand the need to evaluate and revise how we have been conducting transportation services. The district will comply with the State Auditor's recommendation and solicit bids annually, properly report to the IRS on Forms 1099, and revise all contracts to include, but not limited to, drivers providing fuel and how fuel allowances will be provided.*
- B. *Fuel purchases will be reviewed by comparing fuel and mileage logs. These logs will be developed and put into use as soon as possible and maintained at the central office.*

**6.**

**Disbursements**

The district's procedures for reviewing and approving disbursements are in need of improvement. Some payments were not supported by an invoice or other adequate supporting documentation, and purchase orders were not always prepared. Controls over district checks, contracts, and certificates of deposit (CDs) need improvement. The former Superintendent purchased items exceeding his spending authority after being placed on administrative leave. The district has not established formal written policies for meal expenses, and some meal expenses did not appear to be prudent and necessary uses of district funds. The district has no procedures in place to ensure Forms 1099 are filed with the IRS. The district did not always enter into written agreements defining services to be provided and benefits to be received.

- A. A list of disbursements is provided to the board each month; however, the list does not include payroll disbursements and the board does not document its review and approval of the list. Board minutes generally indicate bills were approved for payment; however, the list of disbursements provided to the board is not signed or initialed by the board members and retained with the official board minutes. As a result, board approval of disbursements is not adequately documented. In addition, the Board President and Treasurer indicated they review all invoices; however, their review is not documented, and other board members do not review invoices unless a specific disbursement is questioned.

While district policy provides for the superintendent to review and authorize all invoices prior to payment, the former superintendents' reviews were rarely

documented. Forty-one of 44 disbursements reviewed were not approved by the former superintendents.

The district also does not perform a reconciliation of the list of bills reviewed by the school board, the approved invoices, and the actual checks written.

To adequately document the board's review and approval of all disbursements, complete lists of bills should be prepared, signed or initialed by the board to denote its approval, and retained with the official minutes. In addition, the board president, treasurer, and superintendent should document their review of each invoice, and an independent reconciliation of the approved list of bills, invoices, and actual checks written should be performed.

B. Some payments were not supported by an invoice or other adequate supporting documentation, purchase orders were not always prepared as required by district policy, and receipt of goods or services was not always documented.

- Payments totaling \$12,824 for sports complex lights, \$11,750 for district vehicles, \$6,804 for heating and cooling repairs, \$5,400 for straw to mulch the football field, and \$250 for food for referees and game workers were not supported by invoices or other documentation.
- The district allows employees to charge purchases at a local convenience store and does not require employees to obtain and submit itemized invoices for the purchases. Further, an adequate review of purchases charged to the district's account is not performed. A monthly hand written summary bill, prepared by the vendor indicating the date, general description of items purchased, and dollar amount is obtained to support the purchases; however, the employees purchasing the items do not review and approve the vendor's summary invoice before it is paid. During the period August 2007 through January 2008, 166 purchases of snack food, sodas, paper products, hardware, and other miscellaneous items totaling \$1,696 were charged by district employees.
- Itemized invoices of food purchased for student and faculty cafeteria meals, which are received by the director of food service, are not reconciled to the vendor summary statements received by the district bookkeeper.
- Purchase orders were not prepared for 40 of 46 purchases reviewed.
- Receipt of goods or services was not indicated on 39 of 44 invoices reviewed.

To ensure the validity and propriety of disbursements, adequate supporting documentation and purchase orders should be obtained and reconciled to payments and monthly billing statements. In addition, district policy requires a purchase order to be prepared for all disbursements. To ensure goods and services have been properly received by the district, all invoices and other

supporting documentation should be properly initialed or signed by a district employee indicating receipt of goods or services. Also, district policy indicates payment for goods or services will not be made unless both an itemized invoice and a receiving document bearing the signature of an authorized school employee are obtained.

C. Controls over district checks, contracts, and CDs need improvement.

- 1) A list of payroll disbursements is not reviewed by the board. In addition, the signatures of the board president, treasurer, and secretary are applied electronically to all payroll checks. To decrease the potential for unauthorized disbursements, the district should prepare a list of payroll disbursements, and the board or someone independent of the payroll process should compare the list to the checks and document the review and approval.
- 2) The Board President has asked the district bookkeeper to apply his signature to all district checks (excluding payroll) and the superintendent's secretary to apply his signature to all district contracts using a facsimile stamp. In addition, the Board President does not review the bookkeeper and secretary's use of the stamp. Allowing the use of the facsimile stamp by the district bookkeeper and superintendent's secretary diminishes the control intended by multiple signatures. In addition, if the Board President is unavailable to sign checks and contracts, he should document his review of all documents on which his signature is applied.
- 3) School district policy requires the signature of the board president and board treasurer on all checks; however, a check totaling \$5,400 for straw to mulch the football field was issued without the signature of the board treasurer. Dual signatures help provide assurance that checks represent payment for legitimate district disbursements.
- 4) Only the district bookkeeper's signature was required to redeem 4 CDs totaling \$114,610. While the Board approved these redemptions, to safeguard district assets the district should require the board president and treasurer to sign for all redemptions of CDs.

D. Purchases made by the former Superintendent for a lawnmower costing \$5,500 and classroom furniture costing \$5,044 exceeded his spending authority. In addition, the purchase of classroom furniture was made on the Internet by the former Superintendent after being placed on administrative leave by the Board. The Board was unaware of the purchase until the classroom furniture was delivered. District policy allows the superintendent/designee to authorize payments for materials or services necessary for normal business operations not individually exceeding \$500.

In addition, a previously signed requisition order with the former Superintendent's signature was used by the district bookkeeper on August 18, 2008, to approve the furniture purchase noted above after the Superintendent's employment was terminated in March 2008.

To ensure disbursements are properly authorized and district assets are adequately safeguarded, the board should approve disbursements in accordance with district policy, monitor the activities of employees placed on administrative leave, and properly dispose of facsimile stamps of former board members and superintendents after termination of service.

- E. The district does not have formal written policies for meal expenses. The district frequently provides food at various meetings involving district personnel. Local meals were paid by the district with no indication of the business purpose, reason why the meals were necessary, or individuals in attendance. The district purchased meals totaling \$1,689, including dinner for referees and game workers (\$411), an annual middle school faculty meeting (\$879), and board and administrator study sessions (\$399).

The lack of a formal written meal policy and detailed supporting documentation, including the purpose and list of individuals attending, makes it difficult for the district to ensure the propriety of payments made for local meal expenses. In addition, given the district's financial condition, the above disbursements may not be necessary and prudent uses of districts funds. The School Board should ensure school district funds are spent only on items which are necessary and beneficial to the school district. Further, the district's residents have placed a fiduciary trust in their public officials to spend school funds in a necessary and prudent manner.

- F. The district has no procedures in place to ensure Forms 1099 are filed with the IRS when required. As a result, the district did not file Forms 1099 for construction services, legal services, and snow and ice removal totaling approximately \$860,315, \$11,232, and \$1,000, respectively, during the year ended December 31, 2008, and cleaning services totaling \$47,309 during the year ended December 31, 2007.

Sections 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on Forms 1099.

- G. The district did not always enter into written agreements defining services to be provided and benefits to be received.
- The district did not enter into a written agreement with a local college for vocational teaching services provided to district students. The district paid the college \$33,150 during the 2007-2008 school year.

- The district did not enter into a written agreement to purchase paper from another local school district. The district paid the other school district \$11,420 during the 2007-2008 school year.
- The district did not enter into a written agreement with the local fire department to provide emergency services during football games. The district paid the fire department \$1,200 during the 2007-2008 school year.
- The district did not enter into a written agreement with its former cleaning service provider. The district paid the cleaning service \$92,083 during the 2006-2007 school year.
- The district has not entered into a written agreement with the Good Samaritans Boys Ranch for teaching services provided to ranch students. The district receives tuition from other school districts for the services provided and pays for all teaching expenses.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

**WE RECOMMEND** the School Board:

- A. Ensure detailed and complete lists of bills are prepared, the board's approval is reflected on the list, and the list is retained. In addition, the Board should review the invoices or assign someone independent of the check preparation and signing process to perform and document this review. Approved lists of bills should also be compared to checks written.
- B. Ensure adequate supporting documentation is submitted before payments are made. Itemized invoices should be reconciled with vendor summary billings. The School Board should ensure purchase orders are prepared for all disbursements, and compare invoices received with the approved purchase orders. The School Board should require all invoices be initialed or signed by a district employee to indicate acceptance of goods or services.
- C. Ensure a list of payroll disbursements is prepared and reconciled to district checks. Either the Board or someone independent of the payroll process should perform this reconciliation. The board president should sign or apply his facsimile signature stamp to district checks and contracts. If the board president is unable to sign checks or apply his signature stamp, he should review use of his facsimile stamp. The School Board should ensure dual signatures are required for all district checks and redemptions of CDs.

- D. Ensure district disbursements are approved in accordance with district policy, monitor the activities of employees placed on administrative leave, and dispose of facsimile stamps of former board members and superintendents upon termination of service.
- E. Establish and maintain appropriate policies and procedures regarding meal expenses and ensure disbursements are necessary and prudent uses of school district funds.
- F. Ensure Forms 1099 are prepared and submitted to the IRS as required.
- G. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.

### **AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *Since the beginning of the 2008-2009 school year, much improvement has been made in the accountability process of bills. However, we recognize we still have to improve on this process and will follow the State Auditor's recommendation.*
- B. *Since the beginning of the 2008-2009 school year, we have put in place a purchase order system which has been enforced. We believe this has greatly improved our accountability, but we recognize the need for better reconciliation. We will continue to improve this process and will follow the State Auditor's recommendation.*
- C. *The district will comply with the State Auditor's recommendation to ensure a listing of payroll disbursements is prepared and reconciled to district checks. The district has stopped all signature stamps and dual signatures are required.*
- D. *The district will comply with the State Auditor's recommendation. The facsimile stamps have been destroyed.*
- E. *The board will evaluate meal expenses and determine whether or not this practice will continue. Regardless of the evaluation, the district will implement a policy.*
- F. *The district will implement the use of Forms 1099 on all payments of \$600 or more in one year to an individual for professional services or for services performed as a trade or business by non-employees.*
- G. *The current superintendent and board understand the necessity to enter into written agreements detailing services, compensation, and benefits. It is our intention to implement the State Auditor's recommendation and review all services the district receives.*

The district has not adopted formal policies and procedures for the use of its credit cards, and the Board has failed to implement recommendations related to district credit cards made by its independent auditor during the past two audits for the 2006-2007 and 2007-2008 school years. The school district has 16 credit cards, and purchases on these credit cards totaled approximately \$55,000 during the 2007-2008 school year. We noted the following concerns regarding the use of credit cards:

- Adequate supporting documentation was not maintained for \$10,045 of the \$14,206 of credit card purchases reviewed. For several charges including meals, hotels, computer equipment, and teaching supplies, documentation was either not adequate or not retained. In addition, individual credit card receipt slips are not reconciled to the credit card statement each month.
- Only one of six credit card statements we reviewed had been reviewed by the superintendent. While the School Board indicated it had reviewed some credit card purchases, documentation of the reviews were not maintained.
- The school district carried balances on some of its credit card accounts during the 2007-2008 school year, and incurred finance charges totaling approximately \$200 on the six credit card statements reviewed. In addition, some of these credit card accounts maintained large credit limits. For instance, a bank card had a \$15,000 credit limit.
- The district paid an annual fee of \$170 for ten credit cards to a local wholesale vendor during the 2007-2008 school year. In addition, two employees left the district on June 30 and December 19, 2008; however, credit card fees of \$30 were paid for those individuals during the 2008-2009 school year. The district has subsequently received a refund of these fees. In addition, these credit cards were not returned to the central office by the employees, and the district had not cancelled the cards until we brought this to its attention in January 2009.
- The district spent a total of \$4,118 for 109 gift cards, 6 bicycles, and a boom box/cd player which do not appear to be prudent or necessary uses of district funds. District officials indicated some of these items were given away as attendance and employee awards; however, documentation of who received the awards was not retained. Given the district's financial condition, the above disbursements may not be necessary and prudent uses of districts funds.
- Credit card check-out procedures are not adequate. The district bookkeeper maintains the discount store credit card which is available to all district employees. The bookkeeper maintains a check-out log; however, it is not accurate and complete. For example, the date the credit card is checked out is

recorded on the log; however, the date the credit card was checked back in is not recorded. In addition, we noted instances where employees used the card but had not checked the card out.

Given the lack of controls over credit cards, the School Board and Superintendent should closely evaluate the need for each credit card and costs associated with the cards. In addition, complete and detailed written credit card policies and procedures are necessary to provide guidance to employees and help ensure credit cards are used only for school district business. The School Board should develop policies which require credit receipt slips be submitted prior to payment and compared to the credit card statements, and purchases to be approved by someone other than the cardholder. Also, credit card payments should be made in a timely manner and credit limits should be reviewed for reasonableness.

**WE RECOMMEND** the School Board evaluate the need for each credit card and cancel any cards which are determined unnecessary. Formal policies and procedures should be adopted for credit card use, including policies which require all credit receipt slips be submitted prior to payment and compared to the credit card statements and purchases be approved by someone other than the cardholder. In addition, the Board should ensure credit card payments are made in a timely manner and disbursements are a necessary and prudent use of district funds, and review credit limits for reasonableness.

### **AUDITEE'S RESPONSE**

*The School Board provided the following written response:*

*The current superintendent upon entering the district evaluated the credit card situation and eliminated all but four, from the original sixteen. Credit card use has been very limited during the 2008-2009 school year. Since January 1, 2009, the district has implemented a credit card usage policy and procedure. This policy will be reviewed to ensure it complies with the State Auditor's recommendation.*

**8.**

### **Cellular Phones**

The district has not developed a formal written policy regarding cellular telephone use or guidelines to determine whether cellular phones are needed or of benefit to the district. The district provides cellular phone service to the superintendent, three principals, the athletic director, the technology director, the Good Samaritan Boys Ranch director, and the maintenance director. A spare cellular phone and a bag phone were also available to be checked out for other employee use during the 2007-2008 school year. The district owns eight of the ten cellular phones for which it pays for service. The middle school principal and athletic director purchased their own cellular phones. The district disbursed approximately \$5,000 during the year ended June 30, 2008, for the use of cellular phones. We noted the following concerns regarding cellular phone use:

- During our review of the high school principal's cellular phone bill paid in September 2007, we noted 131 calls totaling 1,105 minutes were made to a single phone number, and the principal could not provide documentation of the business use of the calls.
- Cellular phone plans utilized by the district do not provide for text messaging, and as a result, additional charges are incurred when text messaging is used.
- The district allowed the middle school principal to utilize a \$100 vendor rebate provided to the district to purchase her own cellular phone, while the athletic director purchased his own phone without the use of a district rebate. Vendor rebates should only be utilized by the district.
- The district did not require the former Superintendent to return the district's bag phone when he was placed on administrative leave. His service was cancelled by the district, but the phone was not returned.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy should be developed regarding cellular phones. This policy should establish a monitoring system for the assignment, use, and acquisition of cellular phones to ensure cellular phones are acquired only by allowable personnel and properly used for business purposes. In addition, the district should review its current and historical levels of cellular phone use and determine if there is a need for text messaging, and if so, it should be included in the cellular phone plans. Also, vendor rebates should only be utilized by the district, and the district should establish written procedures to ensure cellular phones are returned to the district when employment is terminated.

**WE RECOMMEND** the School Board develop a formal written policy regarding the use of cellular phones. In addition, the Board should establish a monitoring system for the assignment, use, and acquisition of cellular phones. Also, vendor rebates should only be utilized by the district, and the Board should establish written procedures to ensure cellular phones are returned to the district when employment is terminated.

### **AUDITEE'S RESPONSE**

*The School Board provided the following written response:*

*The district does not have a policy which addresses the use of employee cell phones. The board will review cell phone use and develop a policy in accordance to the State Auditor's recommendation; or, upon review if the board believes it is financially prudent to not provide cell phones to certain employees, they can eliminate the use.*

**9.****Additional Compensation**

The school district has not established policies and procedures regarding additional compensation, extra duty contracts, and education assistance.

A. The school district has not established policies and procedures regarding additional compensation. As a result, the district paid various employees additional compensation and did not include the payments on the employees' W-2 forms or subject the payments to payroll tax withholdings. In addition, extra duty contracts were not entered into to support additional compensation paid.

- Additional compensation totaling \$2,700 was paid to 21 employees for mentoring fellow educators during the 2007-2008 school year. Mentors for first year teachers were paid \$125, mentors for second year teachers were paid \$50, mentoring buddies for experienced teachers new to the district were paid \$50, mentoring building leaders were paid \$75, and the mentoring coordinator was paid \$500. Some employees mentored multiple teachers and served as buddies and leaders, and the coordinator also served as a mentor and a building leader.
- Additional compensation totaling \$8,739 was paid to 25 employees for working at various ball games during the 2007-2008 school year.
- The district paid a teacher a stipend of \$1,100 during the 2007-2008 school year for writing a grant which provided funds to purchase new desks for her classroom. In addition, it is unclear how the work performed was not within the normal job duties outlined in her employment contract.
- The district paid its librarian \$1,200 annually to record the minutes of board meetings.

The School Board should establish policies and procedures to address additional compensation. The policy should require any additional compensation received by employees of the district be reported on the employees' W-2 forms. In addition, the policy should require extra duty contracts be prepared and reviewed to support any additional compensation.

The district also paid an employee \$5,856 to renovate the resource officer's office during the 2007-2008 school year without soliciting bids. Section 105.454, RSMo, states that no employee, shall receive more than \$500 per year for the performance of any service, except pursuant to an award on a contract let to the lowest competitive bidder.

- B. The district provided an employee \$691 in education assistance during the 2008-2009 school year and plans to provide the same employee an additional \$691 during the 2009-2010 school year without adopting an education assistance policy or entering into a written agreement with her regarding any employment requirements of the education assistance. The education assistance was provided so she could teach drivers education. In addition, the assistance was only approved by the High School Principal and Superintendent. Further, the district did not report the value of the education assistance provided to the teacher on her W-2 form as a taxable benefit during the year ended December 31, 2008.

The district should establish an education assistance policy and enter into written agreements with employees receiving education assistance to ensure the district receives some benefit from its investment. In addition, IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, indicates if the employer does not have an education assistance policy and the benefits received by the employee are not a working condition of employment, the entire amount of education assistance would be a taxable benefit to the employee.

- C. The district entered into a 1 month extra duty contract for \$4,122 with the current Athletic Director (in addition to his 9 month contract for this same position); however, the contract did not specify the services to be rendered. Upon questioning district officials and the employee, there seems to be some confusion as to the duties required to be performed. Two district officials indicated the extra duty contract was for the Athletic Director to mow the athletic fields, while the Athletic Director indicated the contract was for the 2 weeks prior to and after the school year to prepare and complete reports. To avoid any misunderstandings, written extra duty contracts should clearly specify the services to be rendered.

**WE RECOMMEND** the School Board:

- A. Establish policies and procedures regarding additional compensation paid to employees. The policy should require any additional compensation paid to employees be processed through the payroll system, and extra duty contracts be prepared and reviewed. The School Board should ensure employees' W-2 forms are amended. In addition, the School Board should ensure bids are obtained and the low bid is awarded for services provided by employees for more than \$500 per year.
- B. Establish an education assistance policy and enter into written agreements with employees receiving education assistance. In addition, the Board should ensure an amended W-2 form is prepared and filed with the IRS for the teacher's education assistance.
- C. Ensure extra duty contracts clearly specify the services to be provided.

## **AUDITEE'S RESPONSE**

*The School Board provided the following written response:*

*The current superintendent and board are greatly concerned with the recommendations given in this section. We understand great improvement is needed with our contracts and payroll system. These deficiencies will be attended to and corrected as soon as possible. All recommendations made by the State Auditor's office will be followed.*

<b>10. Payroll Procedures</b>
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Improvement is needed over payroll policies and procedures.

A. Duties are not adequately segregated to provide the necessary internal controls over payroll functions. The district bookkeeper handles all payroll duties including preparation, record keeping, disbursing checks, and distributing employee W-2 forms. In addition, the Board does not review or approve any payroll reports prepared by the district bookkeeper. The district's lack of adequate review procedures over payroll increases the risk potential errors and misstatements may not be detected. Proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of loss, theft, or misuse of funds. If segregation of duties is not possible, comparison of payroll disbursements to the payroll register and employee timesheets should be performed and documented by an independent individual.

B. Timesheets are prepared and maintained for the high school and elementary secretaries, meal staff, and custodians. Other support staff do not prepare timesheets. Also, timesheets are not signed by the employee or the employee's supervisor. Further, timesheets are not submitted to the district bookkeeper and used to prepare payroll checks. The district bookkeeper pays each employee their contracted salary.

Timesheets for support staff are necessary to document hours actually worked, substantiate payroll disbursements, and provide the board with a method to monitor hours worked and leave taken, and are beneficial in demonstrating compliance with Fair Labor Standards Act (FLSA) requirements. In addition, timesheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month. Further, timesheets should be used to prepare payroll disbursements and track leave earned and taken.

C. Leave records are not adequately maintained for all employees. The maintenance department supervisor and employees do not maintain leave records, and the bookkeeper maintains the leave records of the administrative office employees on a piece of notebook paper. Also, leave requests are not signed by the employee or

the employee's supervisor. Further, leave records maintained are not submitted to the district bookkeeper until the end of each school year.

Without centralized records of leave balances, the board cannot ensure employee vacation and sick leave balances are accurate and all employees are treated equitably. Centralized leave records also aid in determining unused leave upon termination of employment, in the event disputes arise, and in demonstrating compliance with the FLSA. In addition, leave requests should be signed by the employee and the employee's supervisor to indicate their agreement to the leave taken each month. Further, leave records should be submitted to the administrative office each month to aid in reconciling the timesheets and payroll disbursements.

- D. Some employees had negative leave balances at the end of the school year. At the end of the 2007-2008 school year, an employee had a negative leave balance of 8 days. At the end of the 2006-2007 school year, 15 employees had negative leave balances totaling 158 days, with one employee having a negative balance of 41 days. Employee payroll checks are adjusted at the end of the school year for the negative balances.

In addition, due to the lack of adequate leave records noted in C above, the district adjusted an employee's payroll check at the end of the 2007-2008 school year for a negative leave balance in error. However, when the district corrected the error, the \$768 payment was not processed through the payroll system, payroll taxes were not withheld, and the payment was not reported on the employee's W-2 form.

To ensure employees receive leave benefits only as allowed by the district's policy, employees should not be allowed to carry negative leave balances. In addition, the Internal Revenue Code requires employers to report all wages on W-2 forms and withhold federal income taxes.

- E. District policy provides for employees to be paid for unused sick leave at the end of each school year as an incentive for not taking leave; however, district policy also allows employees to accumulate sick leave from year to year and compensates the employees again for unused sick leave at the time employment is terminated or at retirement. Unused sick leave at the end of each year is compensated at the rate of \$25 and \$10 per day depending on employee status (certified/non-certified). Accumulated unused sick leave at retirement is compensated at the rate of \$50 and \$20 per day depending on employee status and at termination (other than retirement) at \$10 per day in accordance with board policy.

For example, an employee, who retired at the end of the 2007-2008 school year, was paid \$6,950 for an accumulated sick leave balance of 139 days. At the end of

each school year employed, the employee had been previously compensated for unused sick leave earned that year.

Given the district's poor financial condition, the Board should reconsider the necessity of paying employees twice for unused leave and revise district policy as necessary.

- F. Some personnel handbooks do not agree to the approved board policies. The 2007-2008 aides and secretaries/faculty personnel guide indicates any unused personal leave cannot accumulate; however, board policy number 4310 indicates unused personal leave may accumulate to 5 days, with any personal leave accumulated in excess of 5 days to be added to the employee's sick leave balance.

In addition, multiple personnel guides are used by the district, and the policies are not always the same. The 2007-2008 aides and secretaries/faculty personnel guide indicates certified personnel leaving the district for reasons other than retirement shall receive \$25 per day of accumulated leave, while another personnel guide indicates certified personnel shall receive \$10 per day of accumulated leave. Due to the discrepancies, some employees were paid inconsistently for accumulated leave upon termination.

To ensure employees are treated equitably, district personnel guides and board policies should be reviewed for accuracy and consistency.

**WE RECOMMEND** the School Board:

- A. Adequately segregate payroll duties. At a minimum, there should be a documented independent review of the reconciliation between timesheets and payroll records.
- B. Require district support staff to prepare timesheets which reflect actual time worked. These timesheets should be prepared and signed by the employee, approved by the applicable supervisor, and submitted to the administrative office.
- C. Require leave records be maintained for all district employees and filed with the administrative office monthly. In addition, leave requests should be signed by the employee and their applicable supervisor, and reviewed for accuracy. Leave records should be reconciled with employee timesheets.
- D. Discontinue the practice of allowing employees to use unearned leave. In addition, the School Board should ensure all compensation paid to the employee is subject to payroll taxes and amend the employee's W-2 form.
- E. Reconsider the necessity of paying employees twice for unused leave and revise district policy, if necessary.

- F. Review personnel guides and board policies for consistency and accuracy.

**AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *The superintendent will provide a supervisory review of the payroll disbursements to the payroll register and employee timesheets.*
- B&C. *The district will comply with the State Auditor's recommendations.*
- D. *The district will no longer allow employees to have a negative leave balance. Any days over the contracted days will be taken out of their next paycheck instead of being taken out of their summer checks. All compensation will be subject to payroll taxes.*
- E. *The board will review this policy and consider alternatives.*
- F. *The district plans on reviewing all faculty and staff handbooks to make sure board policies are being followed and for consistency throughout the district.*

<b>11. Meal Collections</b>
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The district has not established formal policies and procedures for handling meal collections. As a result, meal collections are not always deposited intact and in a timely manner, daily collection reports are not reconciled to deposits, an initial record or log of meal collections is not maintained, and meal collections are not accurately posted to the district's general ledger and Student Information System (SIS).

District offices at each school processed approximately \$130,000 in meal receipts during the year ended June 30, 2008. Employees from each district office credit student and teacher meal accounts in the SIS for meal collections and deposit monies. A copy of the deposit ticket is transmitted to the central office. The deposit is to be recorded in the district's general ledger which is maintained on a computerized reporting system separate from the SIS.

Due to the poor controls over meal collections, there is no assurance all district meal collections have been properly recorded and deposited.

- Meal collections were not always deposited intact and in a timely manner. District employees indicated cash is routinely held out of meal collections for change funds for meals and numerous sporting events. In addition, the middle school only makes deposits weekly. Also, meal collections were not always deposited in a timely manner at the elementary school. For example, meal collections received by the elementary office from October 8 through October 14, 2008, totaling \$679 were not deposited until October 16, 2008. Other

monies received on October 8 and 9 in the elementary office were deposited on October 10, 2008, and it is unclear why some meal monies were held.

- The method of payment (i.e., cash, check, or money order) received is not recorded on the daily collection reports, and the composition of receipts is not reconciled to the composition of deposits.
- Daily meal collection reports are generated from the SIS by each district office; however, these reports are not reconciled to deposits and are not transmitted to the central office. Although, the central office does receive a month end report from each of the district offices, these reports are not reconciled to amounts deposited. The amount of receipts on the daily meal collection reports generated from the SIS for the high school did not agree to the daily amount deposited during the period September through October 2008. For example, daily collection reports for September 30, 2008, totaled \$207, deposits for this day totaled \$871, resulting in an overage of \$664; daily collection reports for October 20, 2008, totaled \$530, deposits for this day totaled \$132, resulting in a shortage of \$398; and a net overage of \$266 was noted during September and October 2008.
- As a result of not reconciling meal collections recorded on the SIS system to the general ledger and deposits, errors in posting collections to the district's general ledger were not discovered. For example, two checks totaling \$75 were received and deposited on October 10, 2008, for high school meal collections; however, only \$52 was posted to the general ledger for meal collections (\$23 difference). The high school clerk indicated \$162 in cash was also collected on this day for student activity concessions; however, only \$139 cash was deposited (\$23 was believed to be held out for change). The clerk indicated her regular depositing procedure is to first record all concession or activity receipts and any remaining monies included in the deposit are then recorded as meal collections, resulting in recording errors for meal collections.

In addition, some meal collections received were not always posted to the SIS system. For example, a high school teacher paid for meals for her children, who are students of the district, and herself. The students' meal collections were posted to the SIS by the district; however, the meal collection for the teacher was not posted to the system. Several other instances where meal collections were not posted to the SIS were identified.

- An initial record or log of meal collections is not maintained. Meal monies sometimes pass through various employees before being recorded and subsequently deposited by each district office. For example, meal collections in the elementary school are initially received by each classroom teacher and are then turned over to the district office. Additionally, the high school clerk records meal monies on an envelope (because she does not have time to post

meal collections to the SIS system as high school students and faculty go through the meal line); however, the envelope is thrown away after she posts meal collections to the SIS system.

To adequately account for meal collections, the district should establish formal policies and procedures including depositing meal collections intact and in a timely manner, recording the method of payment on the daily collection reports, reconciling deposits to the composition of receipts and daily collection reports, posting meal collections accurately to the general ledger and the SIS or reconciling the two systems, and recording initial meal collections on a receipt log and subsequently reconciling the log with deposits.

**WE RECOMMEND** the School Board should establish formal policies and procedures for handling meal collections.

**AUDITEE'S RESPONSE**

*The School Board provided the following written response:*

*The district has established formal policies and procedures for handling meal collections. All of the recommendations made by the State Auditor are in place.*

<b>12. District Receipts, Petty Cash, and Change Funds</b>
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Controls over district receipts, petty cash, change funds, and vending machine proceeds need improvement. The various school offices act as collection points for student fees and maintain petty cash funds.

A. The district has not established policies for monies collected at each of the district offices. Our review noted the offices hold numerous cash funds without adequate records to account for the funds on hand. During October and November 2008, we counted all funds on hand at all district locations which included 27 separate cash funds totaling approximately \$16,000.

1) Official prenumbered receipt slips are not issued for some monies received. The elementary school secretary issues generic prenumbered receipt slips only for lost book fees (receipt slips are not issued for any other monies received). The middle school secretary issues generic unnumbered receipt slips only upon request. The high school secretary issues generic unnumbered receipt slips for all monies except meal collections.

Also, all copies of voided receipt slips were not retained by the high school office, and four receipt slips were removed from the receipt book and discarded.

- 2) The method of payment (i.e., cash, check, or money order) is not recorded on receipt slips issued by the elementary, middle, or high schools and the composition of receipts is not reconciled to the composition of deposits.
- 3) Monies received are not always deposited intact or in a timely manner. For example, during a cash count at the elementary office:
  - Cash of \$500 was on hand for the district to purchase a trophy case. These monies had been held since June 2006 (over 2 years).
  - A \$471 check was on hand from a local restaurant which had sponsored a school fundraiser. The check had been held since March 24, 2008 (approximately 7 months).
  - Picture monies totaling \$476 cash were on hand. Pictures were taken in April 2008, and the secretary indicated most of these monies were collected in April. Because receipt slips were not issued, it was unclear how long these monies had been on hand or if all picture monies were accounted for properly. In addition, an invoice and a note included in the bank bag of picture monies indicated \$64 of the monies had been used to purchase curtains, bulletin board items, and meal bags.

Additionally, during a cash count at the middle school office:

- Magazine fundraising monies totaling \$1,063 were on hand including \$44 in cash and \$1,019 in checks. Some of the checks appeared to have been on hand for up to 12 days. In addition, customer orders for the magazine fundraiser totaled \$1,349 and only \$1,267 was deposited for the fund raiser. A \$40 cash prize was given to the top selling student, resulting in \$42 not accounted for properly.
  - Student magazine monies totaling \$166 were on hand including \$98 in cash and \$68 in checks. Thirteen checks counted appeared to have been on hand at least 37 days.
- 4) Checks and money orders are not always restrictively endorsed immediately upon receipt by the elementary, middle, or high school secretaries. The endorsement is applied at the time the deposit is prepared.
  - 5) Personal checks are cashed from school receipts. The elementary school office did not provide all monies on hand for us to count when requested. The elementary secretary indicated she instructed the meal accountant to take deposits already prepared totaling \$3,022 to the bank during our cash count so we could not count those monies. A subsequent review of this deposit identified eight personal checks totaling \$339 cashed by the

elementary meal accountant (4 checks) and four elementary teachers. In addition, during another cash count we noted a personal check of \$95 was cashed by the preschool for an employee.

Failure to adequately record, reconcile, deposit, and monitor receipts increases the risk of loss, theft, or misuse of funds. As a result of the lack of accountability over the monies collected in each district office, there is no assurance all monies collected were accounted for properly.

- B. Improvement is needed over the handling of concession and gate fee monies. During our cash counts, concession and gate fee monies totaling \$2,292 were on hand; however, six concession and gate fee reports prepared indicated \$2,307 should have been on hand, resulting in a shortage of \$15. In addition, concession and gate fee monies pass through various employees before being recorded and deposited, and the transfer of these monies between employees is not documented.

Also, season passes are sold at ballgames and are included with gate fee collections. The athletic director is responsible for tracking season passes sold; however, season passes are not sold in numerical order and the numerical sequence of season passes is not accounted for properly. Further, the number of season passes sold is not reconciled to the related amount of monies received and deposited. Season passes are sold to students, adults, and families for \$15, \$35 and \$80, respectively.

To properly account for all concession and gate fee monies collected, differences in amounts recorded and received should be investigated and receipts or other records should be maintained to track the transfer of monies between employees. Also, the numerical sequence of season passes should be accounted for properly, and the number of season passes sold should be reconciled to monies received and deposited.

- C. Controls over the central office petty cash fund need to be improved. The central office maintains a \$400 petty cash fund to be used for small emergency purchases or supplies. The fund is replenished by writing checks from the district's general checking account. For the school year ended June 30, 2008, \$2,226 was disbursed from the petty cash fund.

- 1) Petty cash fund duties are not adequately segregated. The district bookkeeper maintains the petty cash fund and writes the checks to replenish the petty cash fund from the general checking account. In addition, a review of petty cash invoices is not performed by the Superintendent or School Board for the replenishment of the fund. To ensure proper handling of the petty cash fund, the duties of handling, recording, and distributing petty cash funds should be segregated. If the duties cannot be adequately segregated, at a minimum, there should be

documented independent reviews of the petty cash fund. Failure to adequately segregate duties or provide a supervisory review increases the risk of possible loss, theft, or misuse of funds.

- 2) The petty cash fund is taken home by the bookkeeper each night and stored in the trunk of her car. To safeguard against possible loss or misuse of funds, petty cash funds should be maintained at the district in a secure location.
- 3) The central office does not maintain a petty cash ledger or proper documentation to support the receipts and disbursements of the petty cash fund. Some petty cash fund disbursements were not supported by a vendor invoice. To ensure all activity of the petty cash fund is properly accounted for, the district should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund. In addition, all disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- D. Controls over the district's change funds need to be improved. Each school office maintains a change fund. The district does not have a list of approved change funds and a written policy regarding these change funds. In addition, the change funds are not maintained at a constant amount. The high school regularly holds monies out of meal collections for various sporting events (gate and concession). The middle school and elementary school hold monies out of district receipts to make change for meals.

Written policies should be established outlining the procedures for maintaining, using, and accounting for change funds. The district should also maintain a list of all authorized change funds and amounts as well as procedures for adding funds or changing fund amounts. In addition, to safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at a constant amount. Periodically, the funds should be counted and reconciled to the authorized balance by an independent person. Separate change funds should be established for sporting events.

- E. Controls over the proceeds received from vending machines need improvement. The district operates various vending machines at the middle school and elementary school. District employees are responsible for replenishing the machines and emptying the change from the machines on a periodic basis. Our review of vending machine proceeds disclosed the following:

- 1) Most vending machine proceeds are not deposited. Some proceeds are deposited by the middle school to pay for vending inventories. The remaining proceeds are maintained by the middle school and elementary offices and are used to make purchases at the discretion of each school

principal. We counted vending machine monies on October 16, 2008, at the middle and elementary schools totaling \$359 and \$461, respectively.

- 2) The middle school does not maintain a ledger of vending machine proceeds and disbursements. The elementary school maintained a spreadsheet of vending machine proceeds and disbursements; however, as of October 16, 2008, it had not been updated since December 20, 2007.
- 3) Numerous purchases were made by the middle and elementary schools from vending machine monies. Since the district has not established petty cash funds for these offices or authorized vending machine proceeds to be used in this manner, these purchases appear to circumvent the district's purchasing process. The spreadsheet maintained by the elementary school indicated \$4,042 was spent from vending machine proceeds during the period August 1, 2006 through December 20, 2007.
- 4) Adequate supporting documentation was not maintained for nine purchases reviewed totaling \$270 and purchases made by the elementary school totaling \$957 did not appear to be prudent uses of public funds. Examples include payments for meals, massages, gift certificates, food, and retirement gifts. Sixty dollars of the \$270 was given to the former Elementary School Principal by the Elementary School Secretary, and no documentation was maintained to support how these monies were spent.

Given the district's financial condition, the above disbursements may not be necessary and prudent uses of district funds. Additional disbursements which did not appear to be a prudent or necessary use of district funds were noted during our review of credit cards in MAR finding number 7.

Vending machine monies represent district monies and should be deposited into the district bank account. If petty cash funds are needed for small or emergency purchases in the middle school and elementary school offices, the funds should be maintained on an imprest basis and written guidelines should be adopted for the use of petty cash. In addition, all disbursements should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and represent appropriate uses of public funds.

**WE RECOMMEND** the School Board:

- A. Establish policies and procedures for monies collected at each of the district offices.
- B. Ensure differences in gate fees and concessions recorded and received are investigated, ensure records to track the transfer of these monies between employees are maintained, account for the numerical sequence of season passes, and reconcile season passes sold to amounts received and deposited.

- C.1. Adequately segregate the duties of the petty cash fund, or at a minimum, require independent documented reviews of the petty cash fund.
- 2. Ensure petty cash funds are maintained in a secure location at the district.
- 3. Ensure a petty cash fund ledger is maintained and retain adequate documentation of all petty cash disbursements.
- D. Establish written procedures governing the accounting for change funds. Also, the district should maintain a list of each change fund and the authorized balance of each fund, and establish procedures for adding funds or changing fund amounts. In addition, the School Board should ensure the change funds are periodically counted and reconciled to the authorized balance by an independent person.
- E. Ensure vending machine proceeds are deposited into the district bank account. If petty cash funds are deemed necessary for the middle school and elementary school offices, the funds should be maintained on an imprest basis and written guidelines should be adopted. The School Board should ensure all disbursements are processed through the district's disbursement process, require adequate documentation for all disbursements, and ensure disbursements are a necessary and prudent use of district funds.

**AUDITEE'S RESPONSE**

*The School Board provided the following written response:*

*The district has worked throughout the 2008-2009 school year improving district receipts, petty cash, and change funds. Most of the State Auditor's recommendations have been implemented, but there are some recommendations which still need improvement and/or implementation. It is our goal to comply with all the State Auditor's recommendations.*

<b>13.</b>	<b>Accounting Procedures and District Policies</b>
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Accounting duties are not adequately segregated. In addition, accounting controls and procedures over district student activity funds and fundraisers need improvement. Also, the district violated its student fees policy by charging students science lab fees.

- A. Accounting duties are not adequately segregated. The district bookkeeper processes monies received in the mail, records district receipts and disbursements in the district's accounting system, prepares checks, stamps the board president's signature on checks, and reconciles the district's bank accounts. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating

accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by the superintendent or a board member.

B. Accounting controls and procedures over district student activity funds and fundraisers need improvement.

- While the district has a written policy for student activity funds, the policy does not address the types of records that should be maintained and the accounting procedures to be followed by the sponsor of each student activity/fundraiser.
- Fundraising monies were not collected prior to the distribution of fundraising products in October and November 2008, and as a result, as of January 26, 2009, only 79 percent of total sales were collected. Approximately \$2,000 had not been collected.
- The band director indicated he took band fundraising monies home.
- Supporting documentation for nine fundraising orders totaling \$963 was not retained.

To provide guidance to student activity sponsors and to properly account for student activity monies, the district should amend its student activity policy to address records to be maintained and policies to be followed by the sponsor of each student activity, and to require monies be collected prior to distribution of fundraising products, fundraising proceeds be maintained at the district in a secure location, and adequate supporting documentation be maintained.

C. The district violated its student fees policy by charging middle school students a \$5 science lab fee. This fee was charged so each student could have a frog to dissect. According to the teacher, students who were not able to pay the fee were requested to clean the lab and equipment. District records indicated \$400 in science lab fees were collected in August and September 2008. District policy indicates no fees shall be charged for enrollment, supplies, equipment, or costs attributable to course of study which are offered for credit. To ensure equitable treatment of all students and compliance with district policies, science lab fees should not be charged for supplies.

**WE RECOMMEND** the School Board:

A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the superintendent or a school board member should perform documented reviews of the accounting records.

- B. Amend the district's student activity policy to address the types of records to be maintained and policies to be followed by the sponsor of each student activity/fundraiser. In addition, the School Board should ensure fundraising products are not distributed until monies are collected and deposited, student activity fees are kept at the district in a secure location, and adequate supporting documentation is retained for fundraisers.
- C. Ensure fees are not charged for enrollment, supplies, equipment, or costs attributable to course of study in compliance with district policy.

**AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *This recommendation will be evaluated by the school board. No determinations have been made at this time, but it is recognized the district accounting and bookkeeping duties need to either be segregated or reviewed by the superintendent or board member.*
- B. *It has been told to district employees who sponsor fundraisers at the beginning of the 2008-2009 school year to keep records and to collect money before any products are bought or distributed. However, this has not been implemented as written policy and the board will implement such policy as soon as possible which follows the State Auditor's recommendations.*
- C. *The practice of charging a \$5 science lab fee has been terminated. The district will ensure fees are not charged in the future.*

<b>14.</b>	<b>Board Meetings and Minutes</b>
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The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. Board meeting minutes did not always include sufficient detail of matters discussed, and minutes did not always appear accurate. District business was occasionally conducted outside of regular open meetings, minutes were not always prepared for study sessions, and minutes were not signed by the preparer.

- A. The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. For example, during the March 17, 2008, closed session meeting, the Board discussed the district's budget with its bonding company. In addition, during the September 10, 2008, closed session meeting, the Board discussed an upcoming study session.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session.

- B. Meeting minutes did not always include sufficient detail of matters discussed. There were instances where the minutes indicated a motion had passed, but did not indicate the number of votes for and against.

In addition, district meeting minutes indicated bids were received for various purchases of services and supplies; however, the meeting minutes did not document the final decision and reasons to award bids. Also, three district board members entered into a \$250,000 loan agreement with the district's depository bank in March 2007; however, board meeting minutes do not document any discussion or the Board's approval of this loan as noted in MAR finding number 1.

Also, meeting minutes did not always appear to be accurate. For example, the March 17, 2008, closed session minutes indicate a board member left early; however, the minutes subsequently indicate the same board member (in a roll call vote) had voted to return to open session.

Further, meeting minutes were not prepared or retained for the sports complex advisory committee. It is unclear how often the committee met and what decisions were made.

Complete and accurate meeting minutes provide an official record of the board and district advisory committees' actions and decisions. Care should be taken to ensure meeting minutes are complete and document discussions or reasons behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to the board's intentions, possible incorrect interpretation of the board's actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions. In addition, Chapter 610.020.6, RSMo, requires minutes to at least include the date, time, place, members present, members absent, and a record of any votes taken.

- C. District business was sometimes conducted outside of regular open meetings. For example, the School Board and district administrators held study sessions on the first Thursday of November 2007, and February and November 2008, at restaurants located in Springfield. No documented public notice of these meetings was retained. In addition, meeting minutes were not maintained for two of these study sessions.

The governing bodies of all political subdivisions in Missouri are required by the Sunshine Law, Chapter 610, RSMo, to conduct business in regular open meetings. Any time a quorum of board members meet in person or by phone and transact public business, they are subject to the Sunshine Law. In addition, the Sunshine Law requires public notice of all meetings to assure public access to meetings.

- D. Board meeting minutes are prepared by the district's librarian, but are not signed by the preparer. The board meeting minutes are only signed by the board

president and board secretary. The board meeting minutes should be signed by the preparer and a member of the board to provide an attestation the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

**WE RECOMMEND** the School Board:

- A. Ensure only allowable topics are discussed in closed meetings.
- B. Ensure meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken.
- C. Ensure district business is conducted in compliance with the Sunshine Law, and minutes are maintained for all meetings.
- D. Ensure meeting minutes are signed by the preparer and a member of the board.

**AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *The current superintendent and board believe topics allowed during closed session are only being discussed as of the 2008-2009 school year. The discussion that took place on September 10, 2008, was not for a study session, but a board retreat which only discussed the goals for the superintendent, which he would be held accountable for during his evaluation later in the school year. It is our belief that this is an allowable topic since it pertained to his possible contract renewal, dismissal or discipline. The superintendent and board are very aware of the Sunshine Law and will make every effort to discuss only allowable topics during closed session.*
- B. *The board understands the need for complete and accurate meeting minutes. The board will take the care and time to ensure the minutes are well documented and the reasons behind board decisions included.*
- C. *The district is no longer conducting study session meetings. They did have one board retreat in the fall of 2008 to discuss the superintendent's goals for evaluation purposes. No other such meetings have taken place, and none are planned in the future. It is the superintendent's position to have any special session, regardless of its purpose, at the regular board meeting location.*
- D. *The district will follow the State Auditor's recommendation and have the preparer sign all board minutes.*

15.

**District Tax Rate**

While the total tax rate levied by the district was correct for the 2007 tax year, the district's Operating Fund tax rate levy was set \$.2863 too high and the Capital Projects Fund tax rate levy was set \$.2863 too low. As a result, based on the 2007 assessed valuation of \$37,428,410, the district received approximately \$107,000 of restricted (capital project) monies for general operating purposes.

The State Auditor's office (SAO) is required to review the tax rates of all taxing authorities in the state, including school districts, to determine whether taxes have been levied in accordance with state law. The tax rates submitted by the district to the SAO for 2007 were in accordance with state law; however, the district submitted different rates to Polk and Greene Counties and these were the actual rates levied. The 2007 actual rate levied for the Operating Fund exceeded the amount certified by the SAO by \$.2863. The \$.2863 was originally included with an additional amount levied for the Capital Projects Fund which was certified by the SAO.

**WE RECOMMEND** the School Board ensure certified tax rates are levied. In addition, the School Board should discontinue using designated capital projects funds for operating funds and repay amounts owed to the Capital Projects Fund from the Operating Fund.

**AUDITEE'S RESPONSE**

*The School Board provided the following written response:*

*The district believes the current superintendent has corrected all tax levy issues with the State Auditor's office and is in compliance with the State Auditor's recommendations. The district will try to repay the amounts owed to the Capital Projects Fund over a period of time.*

16.

**School Safety Issues**

Improvements are needed in the school district's policies, procedures, and programs related to school safety.

- A. The district's discipline policy does not address all issues required by state law and does not always agree to information contained in student handbooks.
  - The district's suspension policy does not prohibit suspended students with serious violations from being within 1,000 feet of any school within the district during the suspension period. Section 160.261, RSMo, provides for school districts to clearly establish a written policy of discipline, and the policy should not allow suspended students with serious violations to be within 1,000 feet of any public school in the school district.

- Some information in student handbooks does not agree with the district's discipline policy. The high school student handbook indicated the punishment for bullying is a warning for the first offense and 1 day in-school suspension for the second offense; however, the district's antibullying policy indicates punishment of a 10 to 30 day out-of-school suspension for the first offense, a 180 day suspension for the second offense, and expulsion for the third offense. The district should ensure student handbooks are in compliance with district policies.

In addition, the district's anti-bullying policy does not require district employees to report any known instance of bullying and does not address training of employees in the requirements of the district's policy. Section 160.775, RSMo, requires each district's antibullying policy to require district employees to report any known instances of bullying and address training of employees in the requirements of the district's policy.

Comprehensive discipline policies, which comply with the safe schools provisions, can benefit both students and school district employees by outlining the school districts expectations for student conduct and consequences for violating the policies. Clear and complete policies would help ensure policies are fairly and consistently applied to all students.

- B. Although violence prevention programs have been established for the elementary and middle schools, the district has not established a program for the high school. Effective school violence prevention programs can provide a foundation for a safer environment for students to learn. It is important that all students, teachers, and staff are trained to recognize and respond accordingly to the signals of potential problems related to violent behavior. In addition, Section 161.650, RSMo, provides DESE adopt a program of educational instruction regarding violence prevention to be administered by school districts. Pursuant to this section, DESE adopted the Missouri Violence Prevention Curriculum Framework in 1998. The district should consider adopting violence prevention programs for the high school in accordance with the Missouri Violence Prevention Curriculum Framework guidelines.
- C. The district should better monitor sex offender registries for sex offenders living near or coming onto school property. While the district indicated it reviews the sex offender registry at the beginning of each school year, documentation of the district's review and the results were not documented.

The Missouri Center for Safe Schools recommends school districts monitor the sex offender registries two times a year. To ensure the safety of students, district officials need to identify and report noncompliance to law enforcement.

- D. District policy and state law requires all persons employed by the school district to satisfactorily complete background checks and child abuse/neglect record

checks and screenings; however, criminal background checks and child abuse/neglect record checks were not always completed by the district. State law and board policy requires persons employed by the district after January 1, 2005, who are authorized to have contact with children to have a criminal background check completed before having any unsupervised contact with a child.

- E. The district does not have a safety coordinator and has not established a safety committee. Section 160.660, RSMo, requires each school district to designate a safety coordinator, who shall have knowledge of all federal, state, and local school violence prevention programs and resources available to students, teachers, or staff in the district.

In addition, the Missouri Center for Safe Schools recommends a safety committee be formed for each district selected from administrators, teachers, school resource officers, nurses, counselors, bus drivers, custodial and maintenance staff, students, parents, and local law enforcement and emergency services personnel. The committee should meet at least twice a year to evaluate various school district safety issues, establish plans for action, and ensure those plans are implemented.

- F. The district does not correct safety deficiencies identified in a timely manner. A safety survey was conducted by the district's insurance provider on September 21, 2007, and 11 deficiencies were noted. The survey further indicated 5 of the 11 deficiencies had subsequently been corrected; however, the district did not have documentation to show the remaining 6 deficiencies had been corrected. To ensure the safety of students and faculty, the district should review the deficiencies noted in the safety survey, document any corrective actions taken, and correct any remaining deficiencies.
- G. The district does not have adequate procedures in place to ensure school buildings are secure from unauthorized entry. The high school building has multiple entries and is not adequately secured. The district should develop policies and procedures to help ensure school buildings are secure from unauthorized entry to the extent possible.
- H. While district officials indicated Internet safety training is provided to students, parents, and employees, documentation of the training was not retained by the district, and policies and procedures regarding Internet safety have not been established. To ensure the safety of students while using the Internet, policies, procedures, and safety training should be established by the district.

**WE RECOMMEND** the School Board:

- A. Ensure discipline policies comply with the safe schools provisions and student handbooks agree with the discipline policies adopted by the school district.

- B. Consider adopting violence prevention programs for the high school in accordance with the Missouri Violence Prevention Curriculum Framework guidelines.
- C. Establish adequate policies and procedures for monitoring sex offender registries.
- D. Ensure criminal background checks and child abuse/neglect record checks are performed for all district employees.
- E. Appoint a safety coordinator and establish a safety committee.
- F. Review the safety survey for uncorrected deficiencies, document corrective action taken, and correct any remaining deficiencies.
- G. Develop policies and procedures to help ensure school buildings are secure from unauthorized entry to the extent possible.
- H. Develop Internet safety training procedures for students, parents, and employees.

**AUDITEE'S RESPONSE**

*The School Board provided the following written responses:*

- A. *The district adopted the Missouri School Board's Association policy and procedures on January 1, 2009. It is the district's goal to have all handbooks updated to comply with board policy and safe schools provisions by the start of the 2009-2010 school year.*
- B. *The high school will consider adopting a violence prevention program.*
- C. *As of January 1, 2009, the district does have policy regarding sex offenders. However, the policy does not specifically state the district should check sex offender registries at least two times a year. The board will amend the policy to include this provision.*
- D. *The district will review all personnel files to ensure background and child abuse/neglect record checks are documented for all employees.*
- E. *The district now has a safety coordinator and safety committee.*
- F. *The new director of maintenance has reviewed the safety survey and corrected all deficiencies. The district will ensure safety concerns are addressed in a timely manner and documented.*
- G. *The safety committee will investigate building security concerns and report to the board as soon as possible.*

H. *The district will develop Internet training procedures for students, parents, and employees.*

<b>17. Capital Asset Records and Procedures</b>
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A permanent detailed record of the property owned by the district has not been properly maintained. Teachers conduct annual physical inventories of property located in each classroom; however, physical inventories of other district capital assets have not been performed for several years. The last physical inventory of all district capital assets was performed in 2002. In addition, the district has not tagged or otherwise identified all property items as belonging to the district.

Adequate property records are necessary to secure better internal control over district property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with school monies are being utilized by the school district. Pre-numbered tags or other similar devices, when affixed to property items, allow for identification of property in the records and may deter the potential for personal use of district assets.

**WE RECOMMEND** the School Board ensure capital asset records are maintained on a current basis, an annual physical inventory is performed, and pre-numbered inventory tags are attached to all property and equipment.

**AUDITEE'S RESPONSE**

*The School Board provided the following written response:*

*A proper inventory of district assets was conducted in December 2008. This inventory will be done on an annual basis. The district has not started tagging district property, but will do so starting in the summer of 2009.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

PLEASANT HOPE R-VI SCHOOL DISTRICT  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Pleasant Hope R-VI School District is located approximately 15 miles north of Springfield on Highway H. The district includes students living in both Polk and Greene Counties.

The district operates a senior high school (grades 9-12), a middle school (grades 5-8), and an elementary school (grades K-4). In addition, the district operates a school for students of the Good Samaritan Boys Ranch (grades 5-12) and an early childhood special education program (ages 3-4). Enrollment was approximately 950 for the 2007-2008 school year. The district employed 148 full- and part-time employees, including 5 administrators, 103 teachers, and 40 support staff during the 2007-2008 school year.

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

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board during the year ended June 30, 2008, were as follows:

School Board	Dates of Service
Fred Brown, President	July 2007-June 2008
David Calhoun, Vice President (1)	July 2007-June 2008
Leo Baum, Treasurer	July 2007-June 2008
Tammy Hillenburg, Member	July 2007-June 2008
Stacy Dohle, Member (1)	July 2007-June 2008
Cindy Pendergrass, Secretary (2)	July 2007-June 2008
Karen Stillings, Member (3)	April 2008-June 2008
Daphne Press, Member	July 2007-March 2008

- (1) Stacy Dohle served as Vice President from April 2007 until April 2008 when David Calhoun was appointed as Vice President.
- (2) Michael Owens replaced Cindy Pendergrass in April 2009. Cindy Pendergrass served as Secretary until April 2009.
- (3) Karen Stillings was elected Secretary in April 2009.

The district's other officials during the year ended June 30, 2008, are identified below. The compensation of these officials is established by the school board.

Other Officials	Dates of Service During the Year Ended June 30, 2008	Compensation Paid for the Year Ended June 30, 2008
Gene Rice, Interim Superintendent (1)	April 14-June 30	\$ 20,000
Dr. Bob Biggs, Superintendent (2)	July 1-March 13	78,507
Gary Jenkins, High School Principal	July-June	73,960
Jessica McIntyre, Middle School Principal	July-June	66,391
Jessica Robertson, Elementary School Principal	July-June	68,391
Vera Kerr, Good Samaritan Boys Ranch Director	July-June	55,511
Heath Waters, Athletic Director	July-June	44,606
Theresa Greene, Technology Director	July-June	36,000
Glenn Bailey, Maintenance Director	July-June	28,467

(1) Tom Allen became Superintendent in July 2008.

(2) In addition to this base salary, the Superintendent's contract provided for the district to pay insurance premiums for his family totaling \$3,765. The district also provided health insurance benefits for the Superintendent totaling \$3,765. The Superintendent's total compensation for fiscal year 2008 was \$86,037.

Assessed valuations and tax rates for 2008 and 2007 were as follows:

	2008	2007
Assessed valuation	\$ <u>38,133,387</u>	\$ <u>37,428,410</u>
Tax rates:		
Incidental	\$ 2.5029	\$ 2.7500
Capital projects	.6626	.3700
Debt service	.6000	.6000
Total	\$ <u>3.7655</u>	\$ <u>3.7200</u>