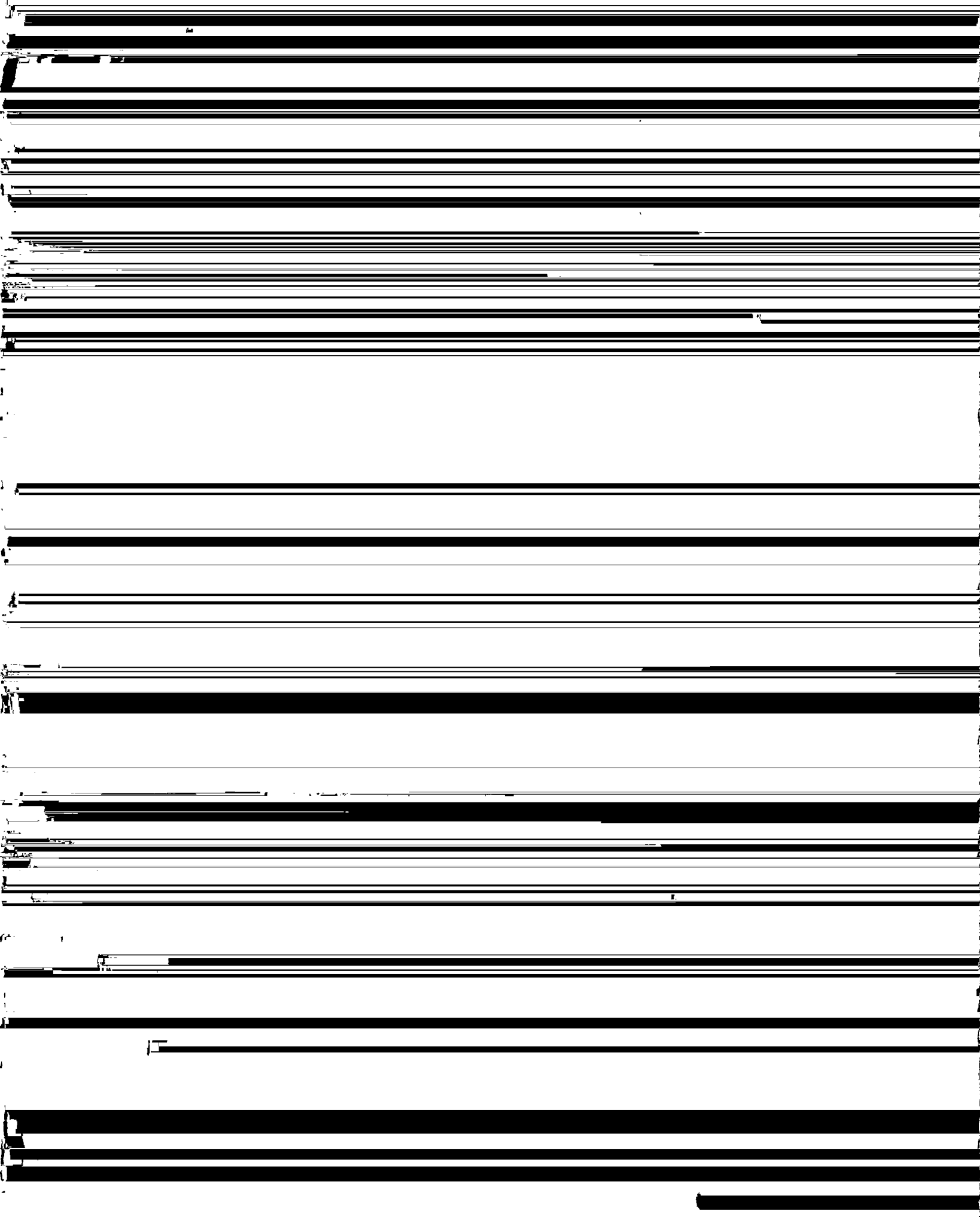


**AUDIT COMMUNICATIONS LETTER FOR
COLUMBIA PUBLIC SCHOOL DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2008**

GK&C
GARDNER KORTS & COMPANY



DEFICIENCIES CONSIDERED TO BE MATERIAL WEAKNESSES

We noted no deficiencies that are considered to be material weaknesses.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT DEFICIENCIES

A. Payroll Control

Criteria:

The objectives of internal control over payroll transactions, with respect to budgeting, are as follows:

1. To provide reasonable assurance that the transactions are properly authorized by _____

[The remainder of the page contains a large area of heavy black redaction, obscuring the main body of text.]

B. Segregation of Duties

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and the financial statements are accurate.

duties of one employee involve complete control over most, or all, aspects of an accounting cycle, without the involvement of other intervening employees, conflicts with the internal control objective may arise. This kind of conflict is generally referred to as a lack of segregation of duties.

Condition: Columbia Public School District has potential conflicts with personnel who have the ability to single-handedly access, record and report transactions related to student activities (ECA) and Career Center revenue.

Effect: The lack of segregation of duties increases the risk of both fraud and error within the Columbia Public School District.

E. Purchasing Cards

The District's internal audit disclosed that employees misuse the purchasing cards by splitting purchases that exceed the card limits into two separate transactions. Currently, the District

We recommend, given the nature of the internal control, that the District

IV. STATUS OF PRIOR YEAR COMMENTS

A. Payroll Control

This item continues to be a finding and has been addressed in the Schedule of Findings and Questioned Costs – Federal Requirements under Section I on page 125.

B. Payroll Documentation

We noted inconsistencies with payroll documentation and the data usually available to support

V. PROFESSIONAL STANDARDS COMMUNICATION

A. Nature of Engagement

We were engaged to perform an opinion audit of Columbia Public School District's financial

E. Significant Audit Adjustments

For the purposes of this letter, professional standards define significant audit adjustments as those adjustments that are material to the financial statements and that are not expected to be corrected by the client.

[REDACTED]

COLUMBIA PUBLIC SCHOOLS

AUDIT COMMUNICATIONS LETTER:
FINDINGS AND RESPONSES

FOR YEAR ENDED JUNE 30, 2008



JANUARY 12, 2009

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General Discussion

AUDIT COMMUNICATIONS LETTER: FINDINGS AND RESPONSES

FOR YEAR ENDED JUNE 30, 2008

The Columbia Public Schools administration and Board of Education appreciate this opportunity to communicate their responses to the Audit Communications Letter presented to the Board of Education on December 8, 2008, regarding the year ended June 30, 2008. While not required, the Board of Education Finance Committee will additionally contract with Gerding, Korte & Chitwood to provide a post-audit review of this response to ensure that the actions proposed by the school district in this response represent acceptable remediation in all areas.

Columbia Public Schools notes that no deficiencies considered to be material weaknesses were identified in the present audit.

The Board of Education has merged its Audit Committee into a Finance Committee that will review the district's current budget in more detail and actively work with the district's administration to develop a long-range financial plan. The Finance Committee and the administration have been fully responsive in all areas to the increased auditing standards implemented in audits of all public-sector agencies beginning in 2007, as described by Gerding, Korte & Chitwood in its letter to Columbia Public Schools dated May 23, 2007:

Statement on Auditing Standards No. 112 introduces the term *significant deficiency* as it relates *ebtes*

GENERAL DISCUSSION

In the auditor's report to the Board of Education at its meeting on December 8, 2008, the observation was

Stipend	Amount	Category	Description
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FINDING II.A. PAYROLL CONTROL

Criteria:

The objectives of internal control

Effects:

- The approval process for extra-duty and overtime pay is not separately considered in the budget process. Consequently, the likelihood of incurring unnecessary payroll costs increases when there is no budgetary requirement for justifying the additional cost.
- The cost and frequency of extra-duty payments has increased significantly over the last few years.
- The budget is overstated by not amending the budget

The district is in the process of purchasing new software which will enhance its ability to implement a

FINDING II.B. SEGREGATION OF DUTIES

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and the financial statements are reliable. When the duties of one employee involve complete control over most, or all, aspects of an accounting cycle, without the involvement of other intervening employees, conflicts with the internal control objective may arise. This kind of conflict is generally referred to as a lack of segregation of duties.

Condition: Columbia Public School District has potential conflicts with personnel who have the ability to singlehandedly access, record and report transactions related to student activities (ECA) and Career Center revenue.

Effect: The lack of segregation of duties increases the risk of both fraud and error within the Columbia Public School District's accounting system and financial statements.

Recommendation: To address the segregation of duties issue we recommend, where practical, cross-training of building support staff and periodic rotation of duties among accounting staff.

RESPONSE II.B. SEGREGATION OF DUTIES

We agree with the auditor's finding that Columbia Public Schools has potential risk in the area of segregation of duties in student activities (ECA) and Career Center revenue. While no problems were discovered, ECA sponsors will be reminded to continually review and monitor their monthly financial reports to help ensure accuracy of funds deposited and expended. Career Center administration will explore cross-training options to improve segregation in the area of student tuition.

Due to staffing levels at all locations, segregating duties to provide complete assurance beyond these practices is very costly.

FINDING III.A. ATTENDANCE SOFTWARE

During our testing of attendance data for compliance with state regulations, we noted inconsistencies related to attendance totals compared to prior years and one attendance center that did not meet the required minimum hours of attendance as set by state law. The inconsistencies noted turned out to be actual errors in the attendance data. These errors resulted in the underreporting of attendance data. The attendance data was corrected and resubmitted to the state. The corrections also resulted in the attendance center that was previously below the minimum hours required to be in compliance and above the minimum requirement.

The district's attendance software requires modification to be in compliance with state regulations for tracking student attendance by hour rather than by period, which is the method used by the computer program.

We recommend the attendance software's data and output be continually monitored during this fiscal year to be sure the results are reasonable and in compliance with state regulations.

In addition, we recommend the district establish written policies related to modifying the calendar of an attendance center to provide oversight of compliance with state laws and to promote consistency for all attendance centers.

RESPONSE III.A. ATTENDANCE SOFTWARE

We agree with the auditor's statement that district attendance data are reliable and with the finding that the process used to collect attendance data needs to be improved. The district's attendance software vendor and Instructional and Information Technology Services' Data Services department are working to correct the software and programming issues that have contributed to the need for manual adjustments made to attendance information. These efforts will continue cooperatively until all issues are resolved. A test of attendance calculation and accuracy will be performed in December over the holiday break and reported to the Board of Education. A corrective action plan includes more frequent testing and reporting of attendance and enrollment to building principals going forward. The district and the software provider have prepared an extensive joint corrective action plan which is included in **Appendix B** of this report.

Additionally, the district has provided extensive training during the fall of 2008 to all attendance secretaries and principals regarding scheduling, calendars, and attend

FINDING III.D. GRANT AUTHORIZATION, ACCOUNTING AND REPORTING

The district administers numerous grants from federal, state, and local sources. Each of these grants contains different requirements for eligible costs, indirect costs, compliance, requests for reimbursement and reporting. The complexity of these requirements may vary significantly from grant to grant. The district's finance procedures manual requires business office involvement in the grant budgeting process, the accounting process and the final reporting process. During the audit we noted numerous instances where the business office was not notified of the existence of gr

The Business Office and the Director of School Improvement will ensure that grant employees are properly assigned to grant activities within the district's general ledger and expense codes are properly assigned.

FINDING III.E. PURCHASING CARDS

The district's internal audit disclosed that employees misuse the purchasing cards by splitting purchases that exceed the card limits into two separate transactions. Currently, the district warns the employee for the first infraction and suspends the use of the card for a period of time after the second infraction.

We recommend, given the nature of the internal control risk with purchasing cards, that a second infraction result in a permanent forfeiture of the purchasing card.

RESPONSE III.E. PURCHASING CARDS

The district agrees with the auditor's finding. Purchasing cards represent a higher level of risk than other transactions and employees must follow the district's procedures to the letter when using the purchasing card. Currently, after the second instance noted, the district suspends the card and it cannot be set up again for at least 90 days; and only then with written approval of the card supervisor. The district will immediately implement the recommendation by the auditor to suspend the card use for 90 days upon a first infraction and implement the auditor's recommendation of permanent card forfeiture upon a second infraction. The district will require the cardholder to attend purchasing card training again if he or she has a card policy violation. Additionally, the district will update the purchasing card training to emphasize that it is prohibited to split purchases.

FINDING III.F. SUBRECIPIENT MONITORING AND ALLOWABLE COSTS

The district began performing subrecipient monitoring of the University of Missouri-Columbia during the current fiscal year for the Mathematics and Science Partnership grant. However, it was decided that supporting documentation would be required only for items that exceeded \$3,000. As a result, only approximately 6 percent of total amounts charged to the district by the University of Missouri-Columbia were reviewed for adequate supporting documentation and allowability of the cost.

We recommend the district increase the amount of supporting documentation they review as part of its subrecipient monitoring requirement.

RESPONSE III.F. SUBRECIPIENT MONITORING AND ALLOWABLE COSTS

The district agrees with the auditor's finding and notes the auditor's comment in the report to the Board of Education on December 8, 2008, that the district has improved significantly in this area since the 2007 audit. The district will continue to work with grant administrator on the procedures, incl

of supporting documentation to review, for the final monitoring of the grant in question, as it is now closed. Business Services will work with grant administrators on procedures for any grant that may require subrecipient monitoring and will determine the appropriate threshold at which documentation is required. The district will direct the independent auditor to annually audit all grants that require subrecipient monitoring.

FINDING III.G. OTHER PAYROLL ISSUES

The district provides travel stipends to 282 employees. Documentation of actual mileage driven for business purposes is not required to be submitted to substantiate the stipend and the payments are included as taxable compensation to the employees. At our suggestion, requests were made for the employees to provide documentation of their typical mileage for a two-month period. Based upon this information, it was estimated that \$62,000, annually, was paid to the employees over the amount that would have been paid under a cost reimbursement arrangement.

In addition, 234 certificated employees receive contract pay for additional days worked beyond a normal teacher's contract of 187 days. However, there is no exact calendar, or work schedule, in place to document what days these employees are expected to work. Additionally, there is no requirement for these individuals to document the days they work.

We recommend the district require employees receiving travel stipends to apply for a travel stipend annually. The amount of the travel stipend should be justified based upon actual planned use of an employee's automobile for work purposes.

We also recommend the development of calendars that will cover all employee work schedules and reconsider contract methodology for administrative and additional-day contracts.

RESPONSE III.G. OTHER PAYROLL ISSUES

The district agrees with the auditor's finding regarding travel stipends. The district will implement a procedure, beginning in the second semester 2008-09, through which the employees will verify the appropriate travel stipend based upon the employee's actual planned use of an automobile for work purposes.

The district will implement the auditor's recommendation that official calendars be developed to codify all employee working schedules, beginning in the second semester 2008-09. The district will continue to revise its contract methodology for administrative and extra-day contracts.

APPENDICES

Appendix A: Extra-Duty Assignment

Appendix B: Attendance Software Corrective Action Plan

Appendix C: Payroll Categories

Appendix D: Grant Approval Hierarchy

APPENDIX A: EXTRA-DUTY ASSIGNMENT

An extra-duty assignment is defined as a responsibility accepted by an employee in addition, and generally different from, the daily tasks performed by that person in his or her employment assignment. Extra-duty contracts are subject to annual renewal based upon the recommendation of the building principal or designated assistant superintendent. Extra-duty activities will be performed under the supervision of the

EXTENDED SEASON STIPENDS

During the contract year, there are occasions when the normal length of the activity or season is extended beyond the time for which the sponsor's or coach's stipend was determined. On these occasions, the sponsor or coach is paid at the same compensation that is paid to teachers for general supervision, \$10 per hour. Category I activity sponsors eligible for the extended season stipend are those working with students whose activity or season continues beyond the district level of competition.

OFF SEASON STIPENDS

During the year, high school coaches and sponsors spend time with the students outside of the expected practice time given during the season to support the activity and work on strength and weight training. It is time dedicated to building skills and keeping fit. A set amount is paid for this work if the coach chooses to offer this additional training and it cannot be done during the regular season. A limit is also placed on how many of the coaches may participate.

GENERAL SUPERVISION STIPENDS

General Supervision stipends are provided to building employees who supervise students during "non-contractual" time periods, typically before and after the school day. The stipends are paid at a rate of \$10.00 per hour. Each school has a specific number of hours allocated to their building for general supervision.

The stipend is to be recommended by the building administrator and reviewed by the assistant superintendent for elementary or secondary education and the assistant superintendent for human resources. Final approval is then secured through Human Resources. Stipends will be approved annually by the Board of Education during the annual budget process. New stipend recommendations during the budget year will be presented to the Board of Education for approval each month.

Action	Person Responsible	Date Completed	Notes/Explanation	Compliance
Monitor use of and attention paid to audit report	Data Services team	Begun September 2008	E-mail audit report to principals (instead of putting it on their	

Action	Person Responsible	Date Completed	Notes/Explanation	Compliance
Monitor any upcoming changes to state reporting from DESE and keep Sungard informed from our perspective	Manager of Data Services	Beginning Fall 2008		



Action	Person Responsible	Date Completed	Notes/Explanation	Compliance
Create and monitor reports tracking attendance day totals calculations	Data Services team	Begun September 2008	Creating reports to double-check attendance day totals accuracy for all levels and all scheduling scenarios. Will be run on a regular basis to make sure programs are still working properly and accruing	

Action	Person Responsible	Date Completed	Notes/Explanation	Compliance
All attendance cases submitted by Columbia will be given a priority status of critical	Sungard	Beginning immediately	Prior to communication to Sungard of our audit status, day totals cases were not always resolved in a timely manner. Many sat in programming for months at a time, even when brought up biweekly by Columbia in case and conference calls. Immediate escalation of all attendance-related cases will help ensure these issues are not neglected.	Done

APPENDIX C: PAYROLL CATEGORIES

Teachers Fund

Teacher Contract Compensation
Teacher and Administrator Extra Days
Administrator Indexes
Athletic Supervision Stipends
Off Season and Beyond District Competition Coach Stipends
Category I Stipends
Category II Stipends
Category III Stipends
Career Ladder Compensation
General Supervision Stipends
Kindergarten Screening Stipends
Summer School Salaries
Sick Leave Payout
Travel Stipends
Instructional Aide Salaries
Educational Advancement Increases

Incidental Fund

Support Staff Salaries
Overtime
Athletic Supervision Stipends
Travel Stipends

tal Fu9Summer School Salaries

APPENDIX D: GRANT