

**AUDIT COMMUNICATIONS LETTER FOR  
COLUMBIA PUBLIC SCHOOL DISTRICT  
COLUMBIA, MISSOURI**

JUNE 28, 2011

JUNE 28, 2011



GERDING, KORTE & CHITWOOD

Professional Corporation

Certified Public Accountants

December 16, 2011

To the Finance Committee and Board of Education  
Columbia Public School District  
Columbia, Missouri

(573) 449-1599

Box 15721, M.O. 64215

www.gkcpas.com

In planning and performing our audit of the financial statements of Columbia Public School District (the "District") for the year ended June 30, 2011, in accordance with generally accepted auditing standards, we considered Columbia Public School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Columbia Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Public School District's internal control.

PARTNERS

Robert A. Gerding

Fred W. Korte, Jr.

Joseph E. Chitwood

James R. McGinnis

Travis W. Hundley

Jeffrey A. Chitwood

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control that we consider to be a significant deficiency and communicated it in writing to management and those charged with governance on December 16, 2011. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Material Weaknesses
- II. Deficiencies Considered to be Significant
- III. Other Current Year Matters
- IV. Status of Prior Year Comments
- V. Professional Standards Communication

This communication is intended solely for the information and use of management, the Finance Committee, the Board of Education and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We want to express our sincere appreciation to Dr. Chris Belcher, Linda Quinley and other staff for the

~~cooperation and assistance received during the audit engagement and for the assistance~~

Columbia Public School District.

Sincerely,

  
Gerding, Korte & Chitwood  
Certified Public Accountants

## I. DEFICIENCIES CONSIDERED TO BE MATERIAL WEAKNESSES

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

## II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

### A. Finding 2011-01 – Internal Control Over Bank Account Balances

*Criteria:* Performing timely bank account reconciliations is necessary to detect and correct misstatements in accounting data.

*Condition:* Bank reconciliations for the District's primary checking account were not performed in a timely manner throughout the 2011 fiscal year. Additionally, misstatements in certain investment balances between funds were not identified.

*Effect:* Interim and year-end general ledger account balances for cash, investments, revenue process.

*Recommendation:* We recommend that the District's Business Service Department adopt a formal procedure where all bank and investment accounts are reconciled within one month of the previous month's end.

*View of Responsible Official:* We agree with the recommendation to create a formal procedure to assure reconciliation of the bank and investment accounts within 30 days of each month end and recognize the importance of timely reconciliation. This has been a long term best practice and a practice we generally follow. However, during our software combined with the arduous task of conversion created an undesirable backlog of this work. A formal procedure will be written and implemented for both cash and investment reconciliation.

## III. OTHER CURRENT YEAR MATTERS

### A. Pledged Security for Bank Deposits

The Revised Statutes of the State of Michigan, PSMG 110.010 and 110.020 require financial institutions to pledge securities and maintain insurance necessary to collateralize all District deposits. It is the responsibility of the District's management to monitor compliance with this law. At June 30, 2011, all of the District's deposits were not properly collateralized because of a large deposit near year end. Adequate collateral was obtained as the next business day subsequent to June 30, 2011 and there was no loss to the District.

*View of Responsible Official:* As noted in the communications letter, we received a large wire transfer in on Thursday June 30, 2011 that put us over the collateralized limit at Landmark Bank. The wire came late in the day and the transfer required to move funds to

notification system of large deposit activity which creates balances over the collateralized limit to help avoid future overages.

## **B. Segregated Debt Service Deposits and Investments**

The Revised Statutes of the State of Missouri, RSMO 165.011, requires the District Debt Service bank accounts and investments to be separated from all other funds. Investment balance misclassifications between the general fund and debt service fund compliance was corrected at June 30, 2011.

*View of Responsible Official:* Commonly, checks are written to the District that need to be separated into different funds, specifically the property tax check which is required to be separated. These checks however can only be deposited into one bank account and a transfer of funds has to be made in order to segregate properly. Additionally the District uses one checking account to pay all of the bills of the district and then makes monthly cash settlements into and out of that account using the "pooled cash" management approach. The delay in reconciliation in 2010-11 created challenges with this process. The system process has been written and refined to allow for timely and appropriate recognition of disbursements.

## **IV. STATUS OF PRIOR YEAR COMMENTS**

### **A. Compliance with Federal Regulations**

1. *Condition:* In the prior fiscal year, we found that internal control over single funding certifications was lacking for all IDEA programs.

*Status:* Single Funding Certificates were properly obtained in the 2011 fiscal year. This item has been adequately addressed.

2. *Condition:* In the prior fiscal year, we found that internal control over procurement suspension and debarment was lacking with respect to IDEA Recovery Act Funding.

*Status:* IDEA Recovery Act Funding was not used for procurement contracts in the current fiscal year, thus this item appears to have been adequately addressed.

## V. PROFESSIONAL STANDARDS COMMUNICATION

### A. Nature of Engagement

We were engaged to perform an opinion audit of Columbia Public School District's financial statements as of and for the year ended June 30, 2011.

### B. Our Responsibility Under Generally Accepted Auditing Standards and C. Auditing Standards

As stated in our engagement letter dated June 7, 2011, our responsibility, as described by generally accepted auditing standards, is to express an opinion on the financial statements based on reasonable assurance, but not absolute assurance, about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us. As part of our audit, we considered the internal control of Columbia Public School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### C. Qualitative Aspects of Accounting Practices

#### 1) Significant Accounting Policies

Management has the responsibility for the selection and use of accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Columbia Public School District are described in Note 1 to the financial statements. GASB Statement No. 54 "Fund Balance, Donations and Governmental

professional standards, we are required to inform you, or of transactions for which there is a

the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are:

Management's estimate of depreciation expense is based on the consideration of useful lives of assets. We evaluated the key factors and assumptions used to develop the estimate of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value of investments in debt is based on the assumptions that market participants would use in pricing the asset or liability. We evaluated the key factors and assumptions used to develop the estimate of the fair value of the investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of allowances for doubtful accounts is based on an analysis of the collectability of accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of deferred revenue is based on an analysis of amounts received or billed in advance of when services are provided or revenue is earned. We evaluated the key factors and assumptions used to develop the estimate of deferred revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

#### **D. Significant Audit Adjustments**

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by the District, that could potentially cause future financial statements to be materially misstated. The risk of omission of these adjustments is not material to the current financial statements. The risk of omission of these adjustments is not material to the current financial statements. The risk of omission of these adjustments is not material to the current financial statements. It variances were identified during audit fieldwork, the District's accounting staff was notified and would prepare and post an adjusting entry to correct the variance. There were no adjustments brought to the attention of District personnel that were not accepted and posted to the general ledger of the District.

#### **E. Material Corrected Misstatements**

We proposed several adjustments that could be described as material.

#### **F. Significant Corrected Misstatements**

We proposed several adjustments that could be described as significant.

## **G. Disagreements with Management**

For the purposes of this letter, professional standards require us to discuss with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **H. Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting matters similar to obtaining a "second opinion" on certain situations. If such consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those financial statements, our professional standards require us to be notified. You should contact us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

## **I. Issues Discussed Prior to Retention of Independent Auditors**

## **J. Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management during the course of our audit.