

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

**JUNE 30, 2013**

**GK&C**  
GERDING, KORTE & CHITWOOD

Professional Corporation  
Certified Public Accountants



Professional Corporation  
Certified Public Accountants

20 South Fifth Street  
Columbia, MO 65201  
(573) 449-1599  
Fax: (573) 443-8603

www.gkccpas.com

PARTNERS

*Robert A. Gerding*  
*Fred W. Korte, Jr.*  
*Joseph E. Chitwood*  
*James R. McGinnis*  
*Travis W. Hundley*  
*Jeffrey A. Chitwood*

December 4, 2013

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

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Columbia Public School District (the "District") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Columbia Public School District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

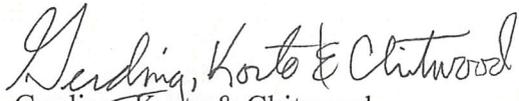
Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Material Weaknesses
- II. Other Matters
- III. Status of Prior Year Comments
- IV. 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 opportunity to serve 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. OTHER CURRENT YEAR MATTERS**

### **A. Finding 2013-01 – Cash Management**

31 CF part 205 and OMB Circular A-110 (§\_\_.21) specify cash management procedures aimed at minimizing the time elapsing between the transfers of funds from the U.S. Government to the award recipient. We noted the District's requests to drawdown amounts awarded under major Federal programs were not performed on a timely basis. Additionally, the drawdown of Title I funding exceeded program disbursements by \$175,663.

The District did not implement effective internal control procedures over the cash management provisions of its Federal funding. We recommend the District implement procedures whereby quarterly drawdowns are requested for all programs. The amount of drawdown should be based upon eligible costs incurred up to the date of each drawdown.

### **B. Timely Deposits**

We noted the District's depositing procedures were not followed during the year, specifically relating to student activity deposits. The District's policy, and related procedure manual, both state that deposits are to be made daily, and no money should be left in a building overnight. However, in the items tested, we noted several instances where money was collected in one week, but not deposited until the following week, or even up to one month later. We recommend adherence to the District's policy and procedure to properly deposit receipts on a timely basis.

### **C. Purchasing**

The District's Finance Procedure manual section 160 and 160.40, state that all purchases must have an approved purchase order prior to obligating the District for a purchase. This requirement is consistent with the internal control and budgetary oversight specified by Board Policy DJF. During the audit we tested one hundred disbursement transactions for compliance with the policy and the related procedures. Our test results noted twenty-six disbursements had purchase orders dated after the invoice date, indicating noncompliance with the approved policy and procedure.

Compliance with Board of Education policies and procedures in purchasing is essential for sound internal controls. However, in discussing the policy and procedure with the District's Finance Committee and Business Services' staff, we believe the current policy and procedure may be unworkable and inefficient by requiring purchase orders in all circumstances, along with numerous layers of approval. Accordingly, we suggest the policy and related procedures be reconsidered with respect to internal control objectives and operational efficiency.

## **D. Construction Projects**

During the audit, we reviewed internal control procedures related to construction projects. We noted the following areas that could be improved:

- The overall budget of the District must be considered before construction contracts are bid and awarded. The District's Chief Financial Officer should be consulted and approve the timing of the solicitation of bids and awarding of contracts to be certain the District's overall budgetary constraints are considered with respect to available funds and outstanding obligations.
- Board policy FEF specifies the use of legal services in the development of construction contracts. Many elements of the District's basic construction contract have been reviewed by an attorney over the years. However, we believe the very nature of construction contracts merits a legal review of each contract, in most instances.
- Board policy FEF specifies that the Board of Education approve construction contracts. Presently, it appears that the Board of Education approves the bid of the contractor, but not the actual contract.
- The Board of Education may want to consider a policy related to construction project change orders. The approval process for change orders would be strengthened if change orders over a specified amount receive approval by the Chief Financial Officer or Superintendent.
- Procedures should be implemented to assure compliance with the monitoring requirements of the State's prevailing wage statute and regulations.

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

### **A. Transportation**

Overall, the District's transportation ridership and mileage data was well documented. However, we noted certain data related to ridership that appeared inconsistent when compared to similar routes. We recommended District personnel review routes and number of riders to ensure that transportation data appears reasonable.

## **IV. 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, 2012.

**B. Our Responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated May 22, 2013, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, 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**

Management has the responsibility for the selection and use of appropriate 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. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2013. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent and clear.

**D. Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements, identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such statements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### **E. Disagreements with Management**

For the purposes of this letter, professional standards define a disagreement 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.

#### **F. Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 4, 2013.

#### **G. Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a 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 the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as Columbia Public School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

We encountered no significant difficulties in dealing with management in performing our audit.

#### **J. Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



---

# M E M O R A N D U M

---

**TO:** Board of Education Members

**FROM:** Dr. Chris Belcher

**SUBJECT:** Auditors' Communication Letter

**DATE:** December 20, 2013

At the conclusion of the annual audit it is customary for the auditors to provide the administration, the Finance Committee and the Board of Education with a communication letter. The purpose of the communications letter is to provide the District with comments and suggestions which the auditors believe will improve internal controls and operating efficiency. Below I have provided our response to the audit communications letter.

## **Federal Award Findings and Questioned Costs**

The District agrees that the improved procedures to assure better internal controls which guarantee timely and accurate drawdowns of federal program dollars were not adequate in 2012-13 and require improvement. This will be accomplished through more accurate program budgeting, timely determination and coding of personnel under federal programs, and better utilization of the BusinessPlus reports.

During 2011-2012, three primary federal programs experienced turnover in staffing and periods of time without staffing, which contributed to difficulty in best practice management resulting in a failure to meet the objective of timely and accurate drawdowns. With full and more experienced staffing in place and new processes, the District expected to meet a schedule of quarterly draw downs. In two cases, the new personnel encountered unexpected results from the DESE system for requesting funds. The system did not process two requests due to other requirements of the system.

The procedure will include detailed budgeting in March of each year, by each program, to include specific staffing to be funded. The budget will be reviewed in August after determination of final allocations of funding and carryover dollars available. Reports of staffing coded to the programs and operating budget reports from BusinessPlus will be utilized to assure the DESE budget and the District budget align. In fiscal year 2013-14, the Title I draw requests will be handled in the Business Services offices. Quarterly drawdowns will be requested by the programs in November, February, May and a final at year end.

In October and November we received \$100,000 for Pell loans, \$551,046 for Title I and \$329,700 for Special Education. A second request will be made at the end of December.

tld