

**MANAGEMENT LETTER OF
COLUMBIA PUBLIC SCHOOL DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2002**



GERDING, KORTE & CHITWOOD

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September 26, 2002

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

We have audited the financial statements of Columbia Public School District (the "District") for the year ended June 30, 2002, and have issued our report thereon dated September 26, 2002. Our professional standards require that we provide you with the following information related to our audit.

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

Sincerely,



Gerding, Korte & Chitwood
Certified Public Accountants

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SECTION ONE

Professional Standards Communication

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated September 26, 2002, 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, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the 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.

Significant Accounting Policies

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 the 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, 2002. 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.

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 judgement, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by District that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments. Those adjustments were accepted by the District's management and posted to the financial records of the District.

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 issue 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.

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.

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 the 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.

Difficulties Encountered in Performing the Audit

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

SECTION TWO

Financial Reporting Issues

Independent Auditors' Report

Our opinion on the financial statements is an unqualified opinion on the District's general purpose financial statements.

Internal Control

We are not reporting any material weaknesses in the internal controls of the District.

Compliance

With respect to compliance we have issued three separate reports. In the three reports we are not reporting any instances of material noncompliance with laws, regulations or contracts that have a direct, material impact on the financial transactions of the District.

New Accounting Pronouncements

For the year ended June 30, 2002 the District adopted Governmental Accounting Standard Board Statement #34. While the District's basic accounting functions remained relatively unchanged by this new accounting standard, the financial reports issued by the District have changed dramatically. The main difference in these financial statements and those of prior years is the inclusion of "District-wide" financial statements. These new financial statements may help in the understanding of the overall financial position of the District and the cost of its various function.

SECTION THREE

Observations and Recommendations

During our audit, we became aware of matters that are opportunities for strengthening internal controls. The following paragraphs summarize our comments and suggestions regarding those matters.

Grants

We noted no change, as compared to prior audits, in compliance with the District's procedures in accounting for and reporting grant activity. Several final expenditure reports were filed without business office review. In one instance, a final expenditure report was filed before all of the program's expenses were incurred and the final report had to be amended. In another instance, grant revenue was recorded based on a telephone message. The final expenditure report, supporting the transaction, was not received by the business office until it was requested during the audit.

Numerous adjustments were required to reclassify transactions because the transactions were not accounted for correctly when originally recorded. The effort to correct errors is usually much greater than the effort to account for transactions properly.

We recommend compliance with the District's *Finance Procedures Manual*. Appendix G of the manual requires certain monthly transaction reviews and a review of final reports prior to submission. We believe following these requirements would improve accountability and accuracy in grant reporting.

Transportation Counts

The 2002 fiscal year's transportation count data is significantly lower than the amount reported in the previous fiscal year. The average number of regular riders transported for 2002 was 8259.5 compared to 9636 in 2001. The disparity in these averages is not logical when the District's student population is increasing and all other variables are constant. Our expectation is that the average should be consistent from year to year.

The decline in count data will have a negative effect on the transportation subsidy received from the State.

The review of transportation count data by District personnel should be more contemporaneous and critical. The transportation contractor should make all reasonable efforts to be sure its drivers have complete and accurate eligible student lists. The October and February count data should be made available to the District within a month of the count period and the District's transportation director should review the ridership lists and count data for reasonableness and accuracy. Unusual ridership information and unreasonable count data should be questioned, investigated and corrected.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



MEMORANDUM

TO: Members, Board of Education
FROM: Jim Ritter *JR*
SUBJECT: Auditors' Management Letter
DATE: December 6, 2002

At the conclusion of the annual audit it is customary for the auditors to provide the administration and the Board of Education with a management letter. The purpose of the management 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 auditors' management letter.

Grants

The district's Business Office procedures include instructions for the Business Office to be included in all phases of the grant process, from review of grant applications prior to submission through review of final expenditure reports prior to filing. However, the auditors noted instances where these procedures were not followed.

The Assistant Superintendents for Elementary Education, Secondary Education, and Instruction will provide additional guidance to principals, directors, and coordinators regarding administrative responsibilities involving financial activities. In addition, the Business Office has added an accounting position with increased responsibilities in the area of grant accounting. These responsibilities will include becoming more proactive in contacting grant supervisors for monitoring and assisting in the financial management of grants. The additional accountant will begin contacting each person responsible for a grant in January 2003 to discuss the current status of their grant and proper procedures for handling a grant, including year-end close-out procedures.

Transportation

The auditors noted variances in the data provided to the district by the contractor for transportation as compared to prior years. The auditors recommend review of transportation count data be more contemporaneous and that unusual ridership information be questioned and investigated.

The district's Coordinator of Transportation will work more closely with First Student just prior to, during, and in the period following the two state-designated rider count days in determining the most complete and accurate rider count for the district. The coordinator will continue to work closely with the Department of Elementary and Secondary Education regarding guidelines and regulations, if any, that are established related to transportation.